



Nykredit Realkredit Group

Annual Report 2022

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Management Commentary



Foreword

"Nykredit reported its best ever financial results today. And this is highly satisfactory. 2022 was yet another busy year with high business and customer growth in Nykredit Bank and Totalkredit. We have also recorded growth in Nykredit Wealth Management, which includes Nykredit Invest and Sparinvest."

Michael Rasmussen
Group Chief Executive

Highly satisfactory results

Nykredit delivered a highly satisfactory profit before tax of DKK 11.5 billion in 2022. Results not only exceeded our full-year expectations, but were all-time high.

The results are a strong testament to customers' resilience and adaptability to change. The same can be said of our colleagues who once again countered changeable conditions with a strong focus on the individual customer and the opportunity to create joint solutions in challenging times.

2022 was a challenging year for many. In February, we witnessed Russia's invasion of Ukraine. From one day to the next, war had broken out in our region with dreadful consequences for millions of Ukrainians and with critical impact on the global economy.

The impacts of war quickly fed through to the global economy, driving up commodity, food and energy prices. Inflation reached unexpected heights caused by the global recovery from the covid-19 pandemic, which pushed up demand and challenged supply chains. At the same time, central banks responded by raising interest rates, while financial markets saw tumbling equity prices and rising volatility.

In Denmark the housing market came to a halt following high activity and surging prices. The labour market, however, remained strong and employment high.

Nykredit is well placed to show what a mutual financial provider can do for our customers and society. The year as a whole was characterised by high activity and growth across the board.

However, we do not necessarily expect the same high activity level and results next year due to the macroeconomic outlook and mounting uncertainty.

From 2023 Nykredit's target for annual return after tax will be 8.0% of shareholders' equity (RoE). This target will replace the current target of a return after tax of 7.5% of RoAC.

Winning the Double 2.0.

Nykredit wants to be a predictable financial partner in unpredictable times. We will continue to honour our pledge to society to help all of Denmark prosper and to support development and growth in urban and rural districts alike. We will also keep on working for a greener Denmark.

We will maintain our strategic guidepost, Winning the Double 2.0, which was refocused in 2019.

Our overarching strategic objectives are:

- We want to expand Nykredit's banking position by gaining more full-service customers
- We want to secure Totalkredit's future position as market leader in home financing in Denmark
- We want to be the customer-owned, responsible financial provider for people and businesses all over Denmark.

Sharing with customers

At Nykredit, we have a unique opportunity to share our success with customers. We are owned by an association, Forenet Kredit, that returns to us part of the dividend it receives which we again use to the benefit of customers. In 2022, we gave more than DKK 1,890 million back to homeowners, businesses, agricultural and other customers in the form of mortgage loan discounts (KundeKroner and ErhvervsKroner).

Based on our highly satisfactory financial performance in 2022 and our strong capital position, it is recommended to the Annual General Meeting that Nykredit distribute ordinary dividend of DKK 4.65 billion. Forenet Kredit's share of the dividend will be DKK 3.7 billion.

High activity and customer growth in Nykredit Bank

2022 was yet another busy year with business and customer growth in Nykredit Bank. We find that many customers value our unique mutual ownership structure, enabling us to offer them a suite of special benefits. Customers also showed their

appreciation in an EPSI satisfaction survey conducted among Danish banking customers. Nykredit Bank's ranking in the survey rose for the second time, and personal and business customers alike ranked us far above the sector average.

Nykredit Wealth Management's efforts were also met with recognition. For the sixth year running, Nykredit Wealth Management was named the Best Private Bank in Denmark by The Banker, a Financial Times publication.

Our sustainable funds also received recommendations by the Danish Consumer Council, which tested a number of sustainable funds. The fund Sparinvest Index Bæredygtig Europa KL carrying the Nordic Swan Ecolabel won Best in Test, while Nykredit Invest's fund Globale Aktier SRI Akk took third place.

Totalkredit has a nation-wide presence

Totalkredit maintained customer growth in 2022. We are proud of this achievement, which was possible thanks to the alliance with the Totalkredit partner banks that provide local advisory services and sound credit assessment practices throughout the country.

The Nykredit Realkredit Group holds a robust capital position and is backed by a group of resourceful owners. Consequently, we are well placed to maintain our competitive and secure loan propositions all over Denmark. We consider it an essential part of our corporate responsibility commitment to contribute to the development in all regions of Denmark.

The Danish Consumer Council still recommends Totalkredit as the Danish mortgage lender offering the lowest mortgage prices in the market. Totalkredit offers attractive and low prices through the good times and the bad. This also means that administration margin payments have remained unchanged in the past six years.

The Totalkredit partnership enables Denmark's small and medium-sized banks without mortgage banking operations to offer

mortgage products at attractive prices that can compete with the largest banks.

At the same time, the partnership promotes a Danish mortgage system built on transparency and solidarity where all homeowners, regardless of their income, financial position, accounts volume or geographic location, pay the same loan rates and administration margins.

Customer-owned and responsible

In keeping with Nykredit's strategy, Winning the Double 2.0, Nykredit wants to be the customer-owned, responsible financial provider for people and businesses all over Denmark.

The green transition is one of the areas in which we strive to make a difference. We have therefore, as the first financial institution in Denmark, set emissions targets for the owner-occupied dwellings and other real estate we finance, which are important segments to Nykredit and the green transition.

We have also set new targets for Nykredit's own emissions. To support these targets, we have joined the Science Based Target Initiative and the Net Zero Banking Alliance. We had already signed up for the Net Zero Asset Manager Initiative.

Today, Nykredit offers a range of green personal banking, business banking, agricultural and investment products aimed at making it easier and more affordable for our customers to make green choices. The green products have been very well received by our customers. Nykredit is this year's high performer in EPSI's annual sustainability index and ranks among the top performers when customers are asked to rate banks' sustainability efforts.

Diversity and inclusion

Being owned by our customers, Nykredit also champions diversity, inclusion and gender equality. Over the past few years, we have introduced several initiatives improving our recruitment processes and our leadership and talent programmes. In 2022, we

also defined new targets for the number of women in management.

Our new goal is that 45% of all managers in Nykredit must be female by 2030. Our long-term goal is to attain gender equality in our management.

Our goals are backed by a number of initiatives taken to promote diversity and gender equality at Nykredit. In 2022, as the first employer in the Danish financial sector, Nykredit introduced equal maternity/paternity leave for men and women. This means that Nykredit also offers co-parents up to 26 weeks of paid maternity or paternity leave. This benefits Nykredit as a company, but naturally, also the families, when parents get to spend more time with their children.

Being a mutual company, Nykredit's culture is shaped by performance and community in equal measure. We strive to achieve strong results, and this ambition is the driving force behind everything we do. At the same time, our success should always be powered by collaboration, team spirit, drive and integrity.

At Nykredit, goal attainment, sound business practices and equality should be a natural part of our day-to-day work. This will strengthen our foundation for delivering strong and sustainable results that will benefit our customers and society.

Merete Eldrup
Chair
Board of Directors

Michael Rasmussen
Group Chief Executive

Financial highlights



Income
DKK **16,822m**
(2021: DKK 16,529m)



Costs
DKK **6,320m**
(2021: DKK 6,343m)



Profit after tax
DKK **9,454m**
(2021: DKK 8,870m)

DKK million

Nykredit Realkredit Group

	2022	2021	2020	2019	2018
BUSINESS PROFIT AND PROFIT FOR THE YEAR					
Net interest income	10,871	9,978	9,780	9,344	9,226
Net fee income	3,119	2,406	2,438	2,763	1,950
Wealth management income	2,279	2,324	1,950	1,610	1,361
Net interest from capitalisation	(740)	(484)	(421)	(352)	(356)
Net income relating to customer benefits programmes ¹	(443)	(414)	(203)	(358)	(248)
Trading, investment portfolio and other income	1,736	2,718	1,026	1,649	89
Income	16,822	16,529	14,569	14,655	12,023
Costs	6,320	6,343	5,762	5,326	4,865
Business profit before impairment charges	10,503	10,186	8,807	9,329	7,157
Impairment charges for loans and advances	(80)	(115)	2,272	994	380
Business profit	10,583	10,302	6,535	8,335	6,777
Legacy derivatives	931	432	258	(112)	280
Badwill, impairment of goodwill and amortisation of customer relationships	0	0	(2)	564	0
Profit before tax	11,514	10,733	6,791	8,787	7,057
Tax	2,060	1,863	1,118	1,344	1,247
Profit for the year	9,454	8,870	5,673	7,443	5,810
Other comprehensive income, remaining items	(71)	(19)	(26)	22	(7)
Comprehensive income for the year	9,382	8,852	5,646	7,465	5,803
Interest on Additional Tier 1 capital charged against equity	153	153	223	233	233
Minority interests	61	45	21	(1)	-

¹ "Net income relating to customer benefits programmes" is described in detail in "Alternative performance measures" on page 58.

DKK million



Profit as % of allocated capital (RoAC)
14.0%
(2021: 13.4%)



Profit as % of average equity (RoE)
10.2%
(2021: 10.0%)



Cost:income ratio
37.6%
(2021: 38.4%)

Nykredit Realkredit Group					
SUMMARY BALANCE SHEET					
	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Assets					
Receivables from credit institutions and central banks	61,242	45,294	59,361	59,623	29,691
Mortgage loans at fair value	1,292,119	1,382,551	1,350,630	1,287,370	1,193,667
Bank loans excluding reverse repurchase lending	86,735	74,513	71,146	65,466	60,566
Bonds and equities	100,117	92,955	113,776	115,690	99,444
Remaining assets	59,917	78,160	70,854	82,188	64,624
Total assets	1,600,129	1,673,473	1,665,767	1,610,336	1,447,991
Liabilities and equity					
Payables to credit institutions and central banks	27,851	14,917	14,611	13,914	15,692
Deposits excluding repo deposits	107,392	92,696	88,113	85,396	76,946
Bonds in issue at fair value	1,254,959	1,362,926	1,366,709	1,336,414	1,196,229
Subordinated debt	10,136	10,737	10,893	11,004	11,011
Remaining liabilities	102,962	98,606	95,666	79,230	68,236
Equity	96,829	93,591	89,774	84,378	79,878
Total liabilities and equity	1,600,129	1,673,473	1,665,767	1,610,336	1,447,991
FINANCIAL RATIOS					
Profit for the year as % pa of average business capital (RoAC) ¹	14.0	13.4	8.6	12.4	10.2
Profit for the year as % pa of average equity ²	10.2	9.8	6.6	9.3	7.5
Costs as % of income	37.6	38.4	39.5	36.3	40.5
Total provisions for loan impairment and guarantees	9,391	9,601	9,906	8,033	8,184
Impairment charges for the year, %	(0.01)	(0.01)	0.15	0.07	0.03
Total capital ratio, %	23.3	24.7	24.3	23.7	25.4
Common Equity Tier 1 capital ratio, %	19.5	20.6	20.2	19.5	21.0
Internal capital adequacy requirement, %	11.6	11.2	11.0	10.9	10.0
Average number of staff, full-time equivalent	4,076	3,907	3,799	3,515	3,382

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

² "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

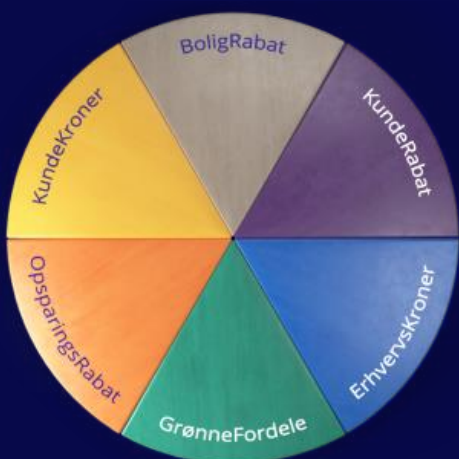
"Together we are more"

One important area setting us apart from our competitors is that we are 78.9% owned by Forenet Kredit – an association of customers – and 16.9% owned by a consortium consisting of five of Denmark's leading pension companies as well as 4.2% by other shareholders. This ensures a stable and long-term ownership structure.

Being owned by an association, we are in a unique position to share our success by offering our customers mutual benefits.

Forenet Kredit's 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 our customers through our mutual benefits programme.

Since 2017 the programme has offered KundeKroner discounts to all personal customers with a Totalkredit mortgage loan and was later expanded to include ErhvervsKroner discounts to all business customers with a Nykredit and Totalkredit mortgage loan. To this should be added a number of discounts and grants offered to full-service customers of Nykredit Bank as well as sustainable solutions for both Nykredit and Totalkredit customers.

In 2022 Nykredit and Totalkredit customers received mutual benefits of more than DKK 1,890 million.

Mutual benefits

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



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 being green should be easier than being indifferent.

Strategic development in 2022

2022 was marked by geopolitical tensions, rising interest rates and high inflation, resulting in growing 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 2022. Since end-2021, more customers have joined us, and we have recorded growth in mortgage lending as well as bank lending.

The financial market turmoil has led to a fall in assets under administration due to negative returns. Nonetheless, Nykredit Wealth Management won both national and international awards again this year. Also, for the sixth consecutive year, Danes named Nykredit the best private banking provider in a survey conducted by Prospera, a market research company. We strengthened our wealth management operations in 2022 through the integration of Sparinvest, among other things.

It is important for Nykredit to contribute actively to sustainable development. To this end, we set climate targets for the loan portfolio in November.

Nykredit ended the year in a position of strength with a strong Group image and a rise in customer satisfaction and colleague engagement from an already high level. On balance, Nykredit is strongly poised for additional growth in 2023.

Our strategy builds on three objectives



Focus on full-service relationships

The Winning the Double 2.0 strategy builds on the ambition of consolidating the Group's strategic foundation by growing the number of full-service relationships among homeowners as well as 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 2022. As part of our effort to expand our banking position, we have launched a number of initiatives and have new ones in the pipeline. For example, we have taken the next steps towards becoming the best business bank in Denmark by improving our business banking services and having an even stronger focus on our business customers. We have launched three business banking propositions offering customer benefits and providing efficiency to business customers' day-to-day operations so that they can instead focus on their core business.

In these times of rising uncertainty, Nykredit plays an important role in creating financial security for our customers. It is part of our pledge to offer products and initiatives which contribute to the financial security of the individual customer. For our personal customers, we have launched initiatives targeted at first-time homebuyers.

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

The integration of Sparinvest was completed in 2022, and today Nykredit holds a strong position in the Danish market for wealth and asset management services. The acquisition of Sparinvest underlines Nykredit's ambitions in the wealth management area and further expanded collaboration with our Totalkredit partner

banks. Our latest investment account (Investeringskonto FRI) is part of the joint solutions together with Puljelinvest, which are now offered by a number of our partner banks.

Strong Totalkredit alliance

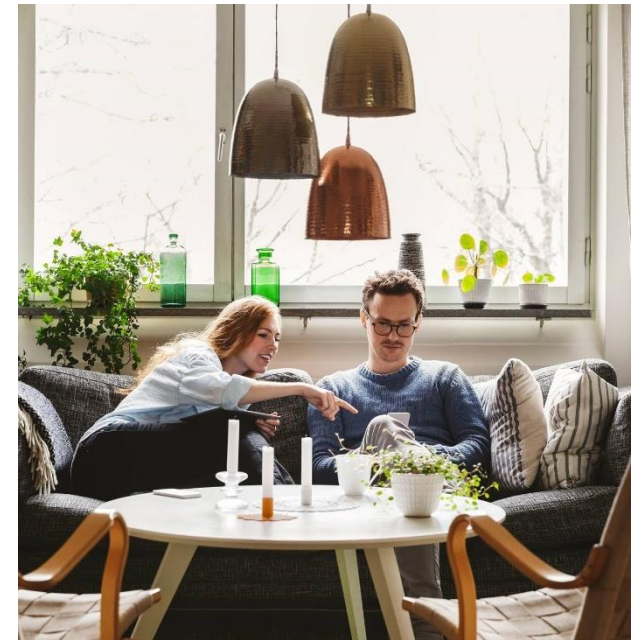
Our alliance with the Totalkredit partner banks remains strong. Partner satisfaction reached a record-high level in 2022. A key driver of Totalkredit's business growth is the strong distribution power all across the country, underpinning Totalkredit's presence all over Denmark.

Once again, the Danish Consumer Council recommended and ranked Totalkredit's mortgage loans the most attractive. This 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 banks for loan remortgaging and other loan cases and was an efficient tool in connection with the remortgaging surge in 2022.

The "Mit hjem" site is a digital housing universe, which was expanded with new functionality and user options again in 2022.



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 the customer, the customer's finances and the local community. We share this belief with the 44 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

Nykredit is the largest lender in Denmark, the largest lender to homeowners and one of the largest lenders to small and medium-sized businesses, the agricultural sector and the housing sector. We are owned by an association of customers. As such, we have a special responsibility for creating value to our customers and to society.

We are committed and uniquely positioned to help solve the common challenges faced by society and to make a difference.

Our corporate responsibility commitment has been organised under three overarching themes:

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

For additional information on Nykredit's corporate responsibility performance, please refer to our Corporate Responsibility Report 2022

Secure, competitive loans

An essential part of our corporate responsibility commitment is to ensure access to competitive, secure financing. Through the extensive branch network of our partner banks, Totalkredit provides attractive mortgage products all across Denmark. This promotes effective competition and diversity in the Danish banking sector.

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.

Nykredit's pledge to society

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

A greener Denmark

We believe that our main contribution to the green transition is to move ourselves and our customers in a more sustainable direction.

We want to provide professional advice that creates value for the individual customers and to collaborate with our customers on increasing the positive impacts on society and reducing the negative. At the same time, we are continuously striving to bring our mortgage lending and banking business into play to support investments in infrastructure, energy supply and technological development necessary to accomplish the green transition.

In recent years, we have launched a suite of products and tools that will make it easier and more affordable for our customers to make green choices. Over the coming years, more initiatives will be added, and the green transition will increasingly be incorporated as a parameter in all parts of our business.

Seeing that we are not able to solve the challenges alone, we are collaborating closely with our customers, business and industry organisations, NGOs, authorities and other stakeholders, and we have entered into partnerships to support the green transition.



A net zero Nykredit

Climate change is among the greatest challenges of our time. And we need to act. Now. Denmark must reduce greenhouse gas emissions over the next years.

And being the largest lender and one of the largest investors in Denmark, we acknowledge our special responsibility and not least our ability to make a difference.

To this end, Nykredit published climate targets for the loan portfolio in November 2022, making us the first in the Danish financial sector to set specific targets for reducing emissions from owner-occupied dwellings and other real estate financed by the Group by up to 75% by 2030 compared with 2021. The targets are imperative for Nykredit and the green transition. The aim is to deliver 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.](#)

In 2022, Nykredit's sustainability efforts were brought together under one Sustainability Programme to ensure consistent direction and prioritisation of, in particular, the Group's green sustainability initiatives.

"As a society we share a common task: To make Denmark greener. Nykredit is owned by its customers and is the largest lender in Denmark, and it is only natural for us to help solve this common task."

Michael Rasmussen, Nykredit's Group Chief Executive

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 will be 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.

Last year MSCI raised Nykredit's ESG rating to "AA", which was maintained in 2022. The same applies to our CDP score, which remained "A-". Our ESG rating from Sustainalytics also improved from 16.4 to 13.6 in 2022, corresponding to the rating "Low Risk".

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 ESG factors. It is pivotal that Nykredit is able to identify, contain and manage these ESG risks, while at the same time detecting and exploiting 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 2022 we focused on colleague training and upskilling. Further, Nykredit worked to map its exposures in various stress 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 the consequences for Nykredit's customers of changed regulatory requirements and consumption patterns.

Sustainability training

In 2022 we launched basic sustainability training for all Nykredit colleagues. The training is aimed at giving our colleagues common basic knowledge and a common language and understanding of sustainability.

Responsible business practices

One of Nykredit's key tasks is to ensure that advice, products and 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 defend our choices and actions, both at the business strategic level and in our day-to-day work actions.

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 open sharing of opinions or concerns about Nykredit's business practices.

Initiatives to combat financial crime

A key element of our responsibility is to prevent and counter any misuse of Nykredit for financial crime purposes. We reinforced our set-up in several areas in 2022. This includes enhanced systems which monitor our transactions, optimisation of our 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.

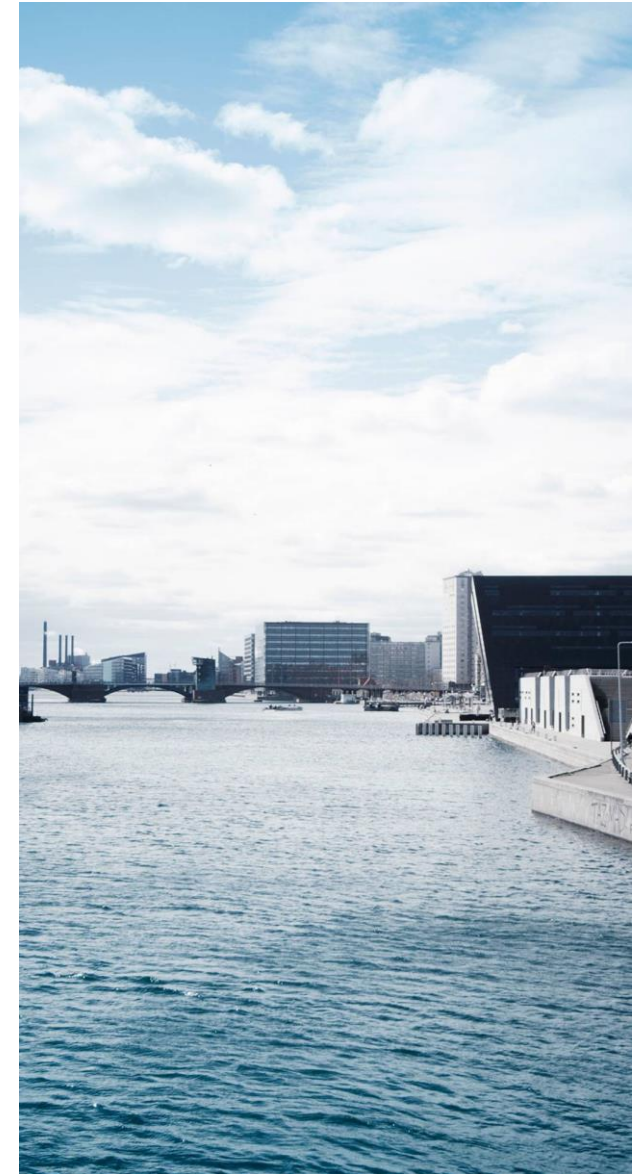
Russia's invasion of Ukraine was a key security policy issue in 2022. In addition to our general security surveillance, we conducted additional cyber hygiene checks and intensified ongoing security surveillance in the early stages of the invasion.

We train colleagues in processing personal data and IT security prudently and responsibly. In 2022, our people completed and passed e-learning programmes and tests in anti-money laundering, anti-terrorism and anti-corruption, and completed and passed certification and e-learning programmes in data protection and IT security.

War in Ukraine

When the war broke out in Ukraine in February 2022, Denmark expected massive refugee flows. The Danish people did not hesitate to create the best conditions possible for the refugees from Ukraine. Nykredit contributed by offering a fast-track scheme for opening a bank account, providing Ukrainian refugees with a free banking package of online banking service, direct debit and payment card, as access to a bank account is crucial to be able to participate in Danish society. Nykredit also had relevant material translated into the Ukrainian language, saving the refugees from having to consult an interpreter to understand their rights and obligations as customers with Nykredit. Nykredit also divested all investments in Russian companies and bonds at the outbreak of the war.

Nykredit has donated DKK 2 million to the Red Cross in Ukraine.



Diversity and inclusion

It is important to us that Nykredit is an inclusive workplace, where all people have equal opportunities and feel respected and involved. We believe diversity is a benefit and a catalyst for development, growth and wellbeing. Nykredit wants a diverse workforce that reflects the diversity of our customers and society.

We particularly promoted a wider understanding of diversity by integrating specific training elements into the Group's development and talent programmes in 2022. Concurrently, we strengthened the ability to promote an inclusive workplace where different perspectives and potentials are brought into play. We are systematically working on and are committed to removing barriers which prevent people from unfolding their potential.

In 2022, we announced our new targets for an improved gender balance among our managers. We have a long-term target of 50% male and 50% female managers in the Group. Today, the percentage of female managers at Nykredit is 33%. In the financial sector, this is slightly above average. But we want to do more to faster achieve an equal gender balance among our managers. We have raised our ambitions, and with our new targets, we have also raised the bar. The targets represent a direction – but in practice, they denote our ability to recruit broadly both internally and externally and to develop talented colleagues with leadership potential and aspirations. Going forward, intense focus will remain on ensuring equal representation of female and male candidates for recruitment, promotion and internal reassignment/reorganisation at all levels of management.

Paid maternity/paternity leave

As the first employer in Denmark within our sector, Nykredit offered both mothers, fathers and co-parents the right to 26 weeks of paid maternity or paternity leave from 2022. This opportunity holds clear benefits for us as a company, for our staff and for their families. This is an important step towards realising our ambition to create an inclusive workplace with equal opportunities for all.



Taking a strategic approach to diversity and inclusion, we are addressing this area at three levels:



For additional information on Nykredit's corporate responsibility performance, please refer to our CR Report 2022 at nykredit.com/corporate-responsibility.

The report includes our:

- Communication on Progress to the UN Global Compact, which Nykredit signed in 2008
- Report on the UN Principles for Responsible Banking launched and signed by us 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 2022 is supplemented with Nykredit's Sustainability Fact Book 2022, which is available at nykredit.com/corporate-responsibility, and information on corporate governance at nykredit.com/corporategovernance

Financial review



Income
+1.8%



Business profit
+2.7%



Profit before tax
+7.3%

DKK million

Nykredit Realkredit Group	2022	2021	Q4/ 2022	Q3/ 2022	Q2/ 2022	Q1/ 2022	Q4/ 2021
BUSINESS PROFIT AND PROFIT FOR THE YEAR							
Net interest income	10,871	9,978	3,054	2,665	2,606	2,546	2,535
Net fee income	3,119	2,406	907	797	780	635	669
Wealth management income	2,279	2,324	543	566	579	592	629
Net interest from capitalisation	(740)	(484)	(265)	(182)	(155)	(138)	(122)
Net income relating to customer benefits programmes ¹	(443)	(414)	(119)	(132)	(110)	(81)	(120)
Trading, investment portfolio and other income	1,736	2,718	1,609	168	(447)	406	1,007
Income	16,822	16,529	5,729	3,881	3,253	3,959	4,598
Costs	6,320	6,343	1,680	1,549	1,545	1,546	1,793
Business profit before impairment charges	10,503	10,186	4,048	2,333	1,709	2,413	2,806
Impairment charges for loans and advances	(80)	(115)	145	1	(65)	(162)	(47)
Business profit	10,583	10,302	3,904	2,331	1,773	2,575	2,853
Legacy derivatives	931	432	42	220	341	329	79
Profit before tax	11,514	10,733	3,945	2,551	2,114	2,904	2,932
Tax	2,060	1,863	696	406	461	497	511
Profit for the year	9,454	8,870	3,249	2,145	1,652	2,407	2,421
Other comprehensive income, remaining items	(71)	(19)	(45)	(10)	(5)	(12)	0
Comprehensive income for the year	9,382	8,852	3,204	2,135	1,647	2,394	2,421
Interest on AT1 capital charged against equity	153	153	39	39	38	38	39
Minority interests	61	45	17	17	12	15	15

¹ "Net income relating to customer benefits programmes" is described in detail in "Alternative performance measures" on page 58.

Performance highlights in 2022

Nykredit delivered a highly satisfactory profit before tax for 2022 of DKK 11,514 million (2021: DKK 10,733 million) and a business profit of DKK 10,583 million (2021: DKK 10,302 million).

Results were positively impacted by high mortgage activity, rising nominal mortgage lending, increasing interest rates and higher bank lending than at end-2021. To this should be added net reversals of impairments, positive value adjustments of derivatives and high investment portfolio income.

We last raised our guidance for profit before tax for 2022 on 12 January 2023 to a profit before tax for the year of about DKK 11.5 billion. The results match our most recent guidance and are the best Nykredit has ever recorded.

Nykredit recorded growth in customer and business volumes in Nykredit Bank as well as Totalkredit. Bank lending rose to DKK 86.7 billion at end-2022 (end-2021: DKK 74.5 billion), marking a 16% rise. Nominal mortgage lending accounted for DKK 1,430 billion at end-2022 (end-2021: DKK 1,391 billion), up 3%. Growth in mortgage lending comprised new lending of DKK 405.8 billion and redemptions of DKK 331.8 billion.

The growth in mortgage lending reflects the high remortgaging activity which has given our customers an opportunity to reduce their mortgage debt.

Income

Income totalled DKK 16,822 million in 2022 (2021: DKK 16,529 million).

Net interest income amounted to DKK 10,871 million (2021: DKK 9,978 million), up 8.9%. The development in net interest income was positively affected by rising interest rates and an increase in nominal bank and mortgage lending compared with 2021.

Net fee income was up 29.6% compared with 2021 to DKK 3,119 million (2021: DKK 2,406 million). Mortgage activity was exceptionally high in 2022 as was remortgaging activity driven by the rising interest rates.

Wealth management income was DKK 2,279 million in 2022 (2021: DKK 2,324 million), down DKK 45 million. Assets under management and assets under administration declined in 2022 following negative value adjustments related to the financial market conditions.

Net interest from capitalisation, which includes interest on subordinated debt, was a charge of DKK 740 million (2021: a charge of DKK 484 million).

Net income relating to customer benefits programmes, including KundeKroner and ErhvervsKroner, was a negative DKK 443 million (2021: a negative DKK 414 million). The amount includes contributions of DKK 1,450 million received from Forenet Kredit.

Trading, investment portfolio and other income, including value adjustment of the portfolio of bank equities and swaps etc, came to DKK 1,736 million (2021: DKK 2,718 million). The year was generally characterised by very high volatility and increasing risk premiums in the financial markets. This has resulted in higher yield spreads of Danish mortgage bonds, which are the primary reason for the negative value adjustments of DKK 103 million in 2022 (2021: positive value adjustments of DKK 381 million). The rising interest rates have not effected value adjustments due to

interest rate risk hedging of the portfolios during the year. Value adjustments of the portfolio of bank equities came to DKK 1,061 million (2021: DKK 1,203 million). Income from institutional clients was lower, while value adjustment of swaps currently offered increased due to rising interest rates. In line with previous quarters, value adjustments have been recognised through profit or loss.

Costs

Costs totalled DKK 6,320 million (2021: DKK 6,343 million). Increasing business volumes and activity led to growing staff costs. Costs of IT, compliance and market data for the period were driven by price rises and a rising USD rate. Despite rising underlying costs, total costs reduced from 2021 to 2022 due to large IT write-downs in Q4/2021. The average headcount rose to 4,076 (2021: 3,907). The change was mainly due to upstaffing in customer-facing units as well as in IT and compliance units.



Profit before tax
DKK 11,514m
(2021: DKK 10,733m)

Impairment charges for loans and advances

Impairment charges for loans and advances were a net reversal of DKK 80 million (2021: a net reversal of DKK 115 million), driven by the continued strong Danish economy and robust credit quality of our customers. [Read more in Credit risk.](#)

	DKK million	
Nykredit Realkredit Group		
Impairment charges for loans and advances	2022	2021
Individual impairment provisions (stage 3)	(558)	(96)
Model-based impairment provisions (stages 1, 2 and 3)	478	(19)
- of the above attributable to geopolitical tensions and covid-19	321	(2)
Impairment charges for loans and advances	(80)	(115)

Nykredit has taken provisions of DKK 2.4 billion to counter the increased risk from geopolitical tensions and the consequences of covid-19.

The geopolitical tensions are expected to affect the credit quality of some customers because of lower economic growth, rising energy prices and value and supply chain disruptions. Against this backdrop, provisions totalling DKK 1.9 billion based on stress tests have been taken to counter the worsened risk outlook.

General uncertainty about the impacts of the covid-19 pandemic has fallen, but still reigns. Repayment of loans granted under government relief packages increases the number of bankruptcies which is considered the primary risk driver. Provisions totalling DKK 0.5 billion based on stress tests have been taken to counter the impacts of covid-19.

For further information about the impacts of covid-19 and the geopolitical tensions, including the war in Ukraine, on Nykredit's impairment charges for loans and advances and our portfolio distribution, please refer to our Fact Book Q4 2022, which is available at nykredit.com

Income from other items

Legacy derivatives, which are not included in business profit, were DKK 931 million (2021: DKK 432 million). Legacy derivatives are derivatives Nykredit no longer offers to customers, comprising a portfolio with a total market value of DKK 1.0 billion (end-2021: DKK 4.0 billion).

Tax

Tax calculated on profit for the year was DKK 2,060 million (2021: DKK 1,863 million). The effective tax rate was 17.9%. Tax on profit for the year includes an adjustment of deferred tax (charge) of DKK 50 million. The adjustment is a result of the new surtax imposed in the financial sector. This means that taxation of financial providers will increase from 22% to 26% in 2024.

Results for Q4/2022

Profit before tax for Q4/2022 was DKK 3,945 million (Q3/2022: DKK 2,551 million).

Income totalled DKK 5,729 million in Q4/2022 (Q3/2022: DKK 3,881 million). The higher income was mainly attributable to trading, investment portfolio and other income, partly driven by positive value adjustments of the portfolio of bank equities and partly by tightened yield spreads. Net interest and fee income exceeds the high Q3 level, mainly due to continued high mortgage activity. In addition, net interest income was positively impacted by margins and lending.

Costs rose to DKK 1,680 million in Q4/2022 (Q3/2022: DKK 1,549 million), primarily driven by provisions for restructuring and adjustment of provisions for bonuses.

Impairment charges for loans and advances were DKK 145 million (Q3/2022: DKK 1 million).

Legacy derivatives resulted in a positive value adjustment of DKK 42 million (Q3/2022: DKK 220 million).



Business profit in Q4
DKK 3,904m
(Q3/2022: DKK 2,331m)

Balance sheet

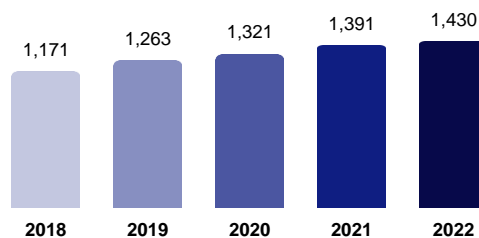
Nominal mortgage lending was DKK 1,430 billion at end-2022 (end-2021: DKK 1,391 billion), marking a 3% improvement on end-2021.

The strong alliance between Totalkredit and its partner banks continues to drive growth in Totalkredit's mortgage lending, which amounted to DKK 877 billion at nominal value at end-2022 (end-2021: DKK 866 billion). Compared with end-H1/2022, lending dropped by DKK 11 billion due to high remortgaging activity, enabling customers to reduce their mortgage debt. More than 912,000 homeowners now have Totalkredit loans. Nykredit Bank's lending increased by DKK 12.2 billion to DKK 86.7 billion at end-2022 (end-2021: DKK 74.5 billion). Bank lending (including secured homeowner loans transferred to Totalkredit) rose to DKK 94.9 billion (end-2021: DKK 81.0 billion). At 31 December 2022, secured homeowner loans transferred to Totalkredit amounted to DKK 8.2 billion (end-2021: DKK 6.5 billion).

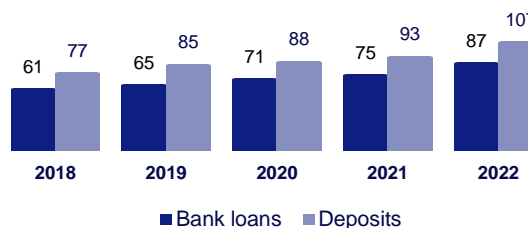
Equity

The Nykredit Realkredit Group's equity stood at DKK 96.8 billion at end-2022 (end-2021: DKK 93.6 billion). Based on profit for the year, it is recommended to the Annual General Meeting that Nykredit distributes dividends of DKK 4,650 million.

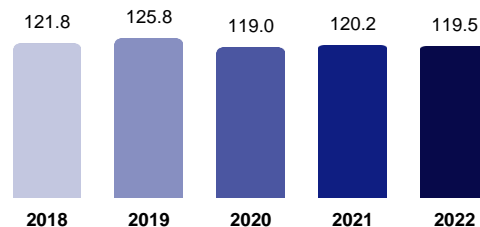
Nominal mortgage lending, DKK billion



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



Surplus of deposits, %



Results relative to outlook

Our guidance for business profit and profit before tax for 2022 presented in the Annual Report for 2021 was between DKK 7.5 billion and DKK 8.5 billion.

The guidance for profit before tax for 2022 was adjusted three times over the year. On 12 January 2023, our guidance for profit before tax was last raised to about DKK 11.5 billion, replacing our previous guidance of a profit before tax of DKK 9.5-10.0 billion.

Nykredit ended the year with a profit before tax for 2022 of DKK 11.5 billion in line with our latest guidance.

Profit before tax for 2022 exceeded our initial guidance, chiefly as a consequence of high mortgage activity, rising interest rate levels, low impairments as well as a favourable development in derivatives.

Return and cost targets



Profit after tax for 2023
DKK 8.0-9.0bn
 (2022: Profit before tax of DKK 11.5bn, profit after tax of DKK 9.4bn)



Long-term RoE
>8%
 (Current target: RoAC of 7.5%, equal to RoE of 5.6%)



Cost:income ratio
<40%
 (Current target: <45%)

Outlook and guidance for 2023

Nykredit is guiding for a profit after tax for 2023 of DKK 8.0-9.0 billion.

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

- We expect a decline in fee income due to reduced mortgage lending activity in 2023 compared with the exceptionally high activity in 2022.
- Investment portfolio income and income from derivatives are expected at a lower level following high income in 2022.
- Net interest from capitalisation is expected to increase because of higher interest rates.
- Costs are expected to increase due to general payroll cost and price rises as well as expenses for our new headquarters.
- Impairment charges are expected to normalise relative to the exceptionally low levels in 2021 and 2022.
- Our tax charge is expected to rise as a result of the new surtax imposed on the financial sector, implying an increase in taxation from 22% in 2022 to 25.2% in 2023.

Our guidance for profit after tax is subject to high uncertainty, including uncertainty about interest rate levels. The main uncertainties relate to investment portfolio income due to Nykredit's portfolio of bank equities and derivatives, and loan impairments.

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.

Nykredit now targets an annual return after tax of 8.0% of shareholders' equity (RoE) viewed over an economic cycle; an upgrade mainly driven by higher interest rates and the Group's raised level of ambition.

The reason for our previous use of a target for return on allocated capital (RoAC) was the large amount of capital of around DKK 15 billion set aside for the purpose of the upcoming Basel IV rules. A market-consistent return on this capital could not be expected, so RoAC was the most relevant return metric at the time.

The shift to a RoE target can be ascribed to the fact that the capital Nykredit holds to meet the upcoming Basel IV rules has been lowered and may be covered by a market-based buffer added to the capital targets laid down in our capital policy. The limited amount of capital held is due to upward pressure on the risk exposure amount in the current regime and does not reflect expectations for lower capital requirements under Basel IV.

Special accounting circumstances

No special accounting circumstances have occurred in 2022.

Other Changes to the Board of Directors

At Nykredit A/S's Annual General Meeting held on 24 March 2022, Nina Smith resigned from the Board of Directors, and Mie Krog was elected new member of the Board of Directors.

Merete Eldrup, Preben Sunke, Michael Demsitz, Per W. Hallgren, Jørgen Høholt, Hans-Ole Jochumsen and Vibeke Krag were re-elected to the Board of Directors.

In addition, the Board of Directors includes four staff-elected members: Olav Bredgaard Brusén, Allan Kristiansen, 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.

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 notes 1 and 3, accounting policies, to which reference is made.

Material risks

The Group's most material risks are described in detail in note 55, to which reference is made.

Events since the balance sheet date

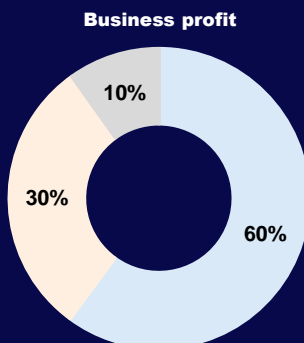
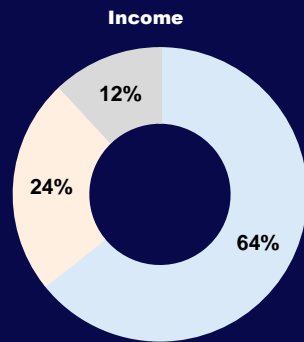
No events have occurred in the period up to the presentation of the Annual Report for 2022 which materially affect the Group's financial position.



Business areas

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

- Banking
- Totalkredit Partners
- Wealth Management



Banking

Comprises Retail and Corporates & Institutions.

Retail offers mortgage lending and banking services tailored 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 43 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, ensuring that they are well placed to help customers, using 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 strategy is to provide our customers with financial security – personal and business customers alike.

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

- Being customers' preferred bank
- Sustainable solutions
- Digitisation and simplicity
- Quality and integrity
- Engaging people who can, will and do make a difference.



2022 in review

In a year characterised by very high activity, Nykredit welcomed many new homeowner and business customers who, together with our existing customers, gain from our mutual ownership structure and [the mutual benefits we offer](#).

Banking received a contribution in 2022 for^{*}:

- Personal mortgage loan discounts: DKK 218 million
- Business mortgage loan discounts: DKK 273 million
- Discounts and grants: DKK 202 million
- Green benefits: DKK 44 million

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

The 2022 activity level was particularly impacted by changed market conditions with increasing interest rates as well as geopolitical tensions resulting in rising prices and high inflation.

Many homeowner customers took advantage of the higher interest rates and opted to refinance their mortgage loans shaving off a sizeable chunk of their mortgage debt. To this end, our customers requested more and longer meetings with their advisers in 2022 to discuss remortgaging. The rising interest rates also ended the era of negative deposit rates, which was well received by affected customers.

Given the geopolitical turbulence with rising inflation etc, more customers feel uncertain about the future. As a result, our advisers held more advisory sessions with customers to build financial security for example by providing clarity of their financial situation, discussing energy renovation, ways to save money etc.

2022 was in many ways characterised by our proactive customer outreach to ensure proximity. We expect this focus to continue in 2023.

Digital value propositions are a top priority in tandem with Nykredit's focus on having a nationwide physical presence. In 2022 we optimised our digital onboarding, making it easier and simpler to become a customer with Nykredit. We also introduced an online booking tool, allowing customers to book meetings at their convenience and through a channel of their choice. Many of our customers use this option, especially to quickly book a digital meeting. We are closely monitoring the development to keep up to speed with our customers' needs and behaviour.

Insurance is a key element of the pledge to our customers of providing financial security. In 2022, more than 18,000 customers have benefited from our bancassurance propositions and held meetings with our business partners of Alm Brand Group. We expanded our bancassurance propositions in 2022 to now also include non-life insurance to our business and agricultural customers, which has been really well received by our customers.

Green products and the ESG agenda are important to both personal and business customers. We see a growing demand for advisory services, knowledge sharing and products such as green car and construction loans, green machinery leasing, green mortgage loans and ESG Advisory. Both in 2022 and in 2023, efforts will be allocated to train advisers to expand their capability to challenge and advise our customers in terms of the ESG agenda. These skills are currently most needed and in greatest demand in the agricultural, real estate and business sectors. Financial support and advisory services for customers within energy and infrastructure are key areas in which Nykredit may help finance, for example, sustainable energy projects.

Customers respond positively to our mutual ownership structure, image and strong green focus, and as a result customer satisfaction remains high and growing. We will continue further developing our value propositions, mutual benefits and sustainable solutions in 2023 and making it even more attractive to bank with Nykredit.

Financial performance in 2022

Banking delivered a business profit of DKK 6,164 million in 2022 (2021: DKK 5,301 million).

Total income rose to DKK 10,464 million (2021: DKK 9,497 million). The underlying business is performing well with continued solid growth, particularly in lending to corporate clients. Net interest income was DKK 7,354 million (2021: DKK 6,664 million), and net fee income totalled DKK 2,103 million (2021: DKK 1,757 million). The rise in net fee income was mainly due to high re-mortgaging activity.

Costs amounted to DKK 4,361 million (2021: DKK 4,314 million).

Impairment charges for loans and advances were a net reversal of DKK 62 million (2021: a net reversal of DKK 118 million), which was positively impacted by our customers' good credit quality.

Legacy derivatives provided a positive value adjustment of DKK 931 million (2021: DKK 432 million).

	DKK million						
Results –			Q4/	Q3/	Q2/	Q1/	Q4/
Banking	2022	2021	2022	2022	2022	2022	2021
Net interest income	7,354	6,664	2,106	1,804	1,738	1,707	1,658
Net fee income	2,103	1,757	589	556	508	450	472
Wealth Management income	694	802	164	166	177	187	224
Net interest from capitalisation	(439)	(331)	(155)	(106)	(93)	(85)	(92)
Trading, investment portfolio and other income	752	604	74	206	211	261	137
Income	10,464	9,497	2,778	2,625	2,541	2,520	2,399
Costs	4,361	4,314	1,076	1,112	1,076	1,097	1,161
Business profit before impairment charges	6,103	5,183	1,702	1,513	1,464	1,423	1,238
Impairment charges for mortgage lending	(477)	(62)	(3)	18	(317)	(175)	(6)
Impairment charges for bank lending	416	(57)	134	12	192	78	(53)
Business profit	6,164	5,301	1,571	1,483	1,590	1,520	1,298
Legacy derivatives	931	432	42	220	341	329	79
Profit before tax	7,095	5,732	1,613	1,703	1,931	1,849	1,377

Results for Q4/2022

Banking delivered a business profit of DKK 1,571 million in Q4/2022 (Q3/2022: DKK 1,483 million).

Income came to DKK 2,778 million (Q3/2022: DKK 2,625 million) due to increasing net interest and fee income.

Impairment charges for loans and advances were DKK 131 million (Q3/2022: DKK 30 million).

Income from legacy derivatives totalled DKK 42 million (Q3/2022: DKK 220 million).



Business profit in Q4

DKK 1,571m

(Q3/2022: DKK 1,483m)

Activities

Loan volumes totalled DKK 763.5 billion at 31 December 2022 (end-2021: DKK 723.7 billion), of which DKK 675.4 billion was nominal mortgage lending (end-2021: DKK 647.8 billion). The increase in lending can primarily be ascribed to corporate banking.

Bank lending in Retail Personal Banking came to DKK 9.2 billion (end-2021: DKK 9.3 billion). Bank deposits in Retail Personal Banking rose by DKK 4.3 billion from end-2021 to DKK 44.1 billion.

Bank lending in Retail Business Banking came to DKK 28.8 billion (end-2021: DKK 26.0 billion).

Bank lending in Corporates & Institutions rose to DKK 39.4 billion (end-2021: DKK 32.9 billion).

Arrears

At the September due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.20% against 0.25% at the same date in 2021.

DKK million

Selected balance sheet items	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
Banking					
Retail Personal Banking					
Loans and advances	179,287	183,256	184,275	183,201	181,124
- of which mortgage lending, nominal value	159,253	164,000	165,893	165,678	164,140
- of which secured homeowner loans	10,878	9,840	8,915	8,131	7,718
- of which bank lending	9,156	9,416	9,468	9,393	9,266
Deposits	44,077	43,761	41,670	39,636	39,814
Retail Business Banking					
Loans and advances	249,431	249,212	249,410	246,835	245,545
- of which mortgage lending, nominal value	220,677	219,859	220,162	220,063	219,591
- of which bank lending	28,754	29,353	29,248	26,771	25,954
Deposits	27,540	27,596	26,379	24,427	25,832
Corporates & Institutions					
Loans and advances	334,831	317,270	314,256	304,623	296,996
- of which mortgage lending, nominal value	295,474	277,521	275,554	268,250	264,047
- of which bank lending	39,357	39,749	38,702	36,373	32,949
Deposits	13,372	12,276	11,257	8,415	9,782



Totalkredit Partners

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

- strengthen the alliance between Totalkredit and its partner banks
- ensure joint development across the alliance.

We prioritise joint solutions.

In addition, we consider it our special responsibility to have a nationwide presence and support sustainable development – at all times.



2022 in review

2022 was characterised by high remortgaging activity, enabling customers with fixed-rate loans to reduce their mortgage debt. In addition, we have seen high customer growth. More than 775,000 homeowners now have loans via Totalkredit's partners (excluding loans arranged by Nykredit).

Totalkredit Partners received contributions in 2022 for:

- Personal mortgage loan discounts: DKK 1,107 million
- Green benefits: DKK 49 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 on a new joint 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 granted in 2022 were produced using the new housing universes via partner banks' IT providers, which provide better advisory tools and more efficient case handling for the benefit of our customers. Our customers also get improved digital solutions via the "Mit hjem" digital platform where customers can find information about their home and Totalkredit loans and also monitor local housing market developments, including home listings.

Selected awards in 2022

The Danish Consumer Council:

- renewed its recommendation of Totalkredit mortgage loans to finance holiday homes.

Totalkredit offers home energy check-up for customers interested in a visit from an energy consultant and getting a home energy label. The home energy check-up is one of the joint initiatives offered in concert with our Totalkredit partner banks.

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.

Backed by Forenet Kredit, Nykredit has extended the KundeKroner benefits programme (mortgage loan discounts to homeowners) on the current terms up to and including 2023 to enhance customers' financial visibility. The KundeKroner programme is a unique strength of our mutual ownership structure, which is expected to benefit our customers in the coming years.



Financial performance in 2022

Totalkredit Partners recorded a business profit of DKK 3,078 million (2021: DKK 2,637 million).

Income amounted to DKK 3,857 million (2021: DKK 3,476 million).

Net interest income rose to DKK 3,227 million (2021: DKK 3,118 million). Net fee income totalled DKK 996 million (2021: DKK 620 million). Net interest income and net fee income were positively impacted by high activity.

Costs were DKK 786 million (2021: DKK 773 million), mainly due to increased activity and higher costs of IT and compliance.

Impairment charges for loans and advances were a net reversal of DKK 7 million (2021: DKK 66 million). Our customers' credit quality remains good.

		DKK million					
Results –			Q4/	Q3/	Q2/	Q1/	Q4/
Totalkredit Partners	2022	2021	2022	2022	2022	2022	2021
Net interest income	3,227	3,118	829	804	809	785	824
Net fee income	996	620	306	241	261	188	180
Net interest from capitalisation	(365)	(259)	(116)	(95)	(82)	(72)	(69)
Trading, investment portfolio and other income	(1)	(3)	(2)	1	1	(1)	1
Income	3,857	3,476	1,017	952	988	900	935
Costs	786	773	208	194	192	192	223
Business profit before impairment charges	3,071	2,703	809	757	796	708	712
Impairment charges for mortgage lending	(7)	66	(4)	(37)	68	(34)	10
Business profit	3,078	2,637	813	794	728	742	702

Results for Q4/2022

Totalkredit Partners delivered a business profit of DKK 813 million (Q3/2022: DKK 794 million).

Income rose to DKK 1,017 million (Q3/2022: DKK 952 million), mainly driven by net fee income.

Impairment charges for loans and advances were a net reversal of DKK 4 million (Q3/2022: a net reversal of DKK 37 million).

Lending to personal customers was down DKK 9.5 billion in Q4, driven by customers' mortgage debt reductions.



Business profit in Q4

DKK 813m

(Q3/2022: DKK 794m)

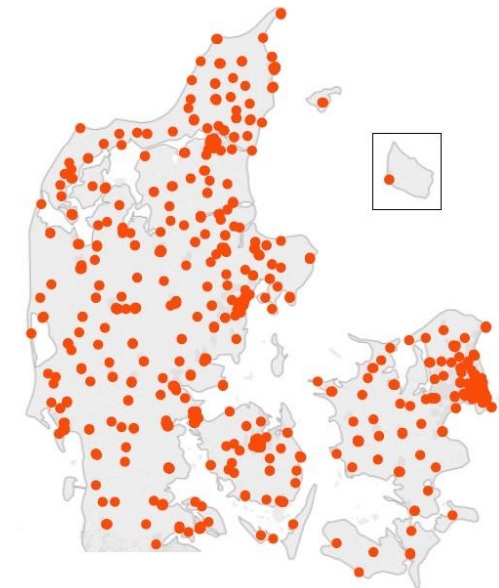
Activities

Totalkredit Partners recorded lending growth in H1/2022, which was followed by a decrease in total lending. Our sound advisory services to our customers is one of the reasons why customers with fixed-rate loans have been able to take advantage of the lower bond prices to reduce their mortgage debt. At end-2022, nominal lending totalled DKK 731.9 billion against DKK 725.0 billion at end-2021. Nominal lending to personal customers was DKK 719.9 billion at end-2022 (end-2021: DKK 715.2 billion). The business loan portfolio increased by DKK 2.3 billion to nominally DKK 12.1 billion (end-2021: DKK 9.8 billion).

Arrears

At the September due date, 75-day mortgage loan arrears of Totalkredit Partners as a percentage of total mortgage payments due were 0.12% against 0.12% at the same date in 2021.

Totalkredit Partners, branch network



DKK million

Selected balance sheet items

Totalkredit Partners	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
Personal customers					
Loans and advances	719,851	729,354	731,385	729,525	715,223
- of which mortgage lending, nominal value	712,632	723,116	725,393	723,311	708,765
- of which secured homeowner loans	7,219	6,238	5,992	6,214	6,458
Business customers					
Loans and advances	12,051	11,804	11,246	10,312	9,779
- of which mortgage lending, nominal value	12,051	11,804	11,246	10,312	9,779



Total lending
DKK 732bn
 (2021: DKK 725bn)

Wealth Management

Wealth Management pursues a strategic ambition to be 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 strategic tracks:

- Corporate responsibility
- Being customers' preferred bank
- Digital customer experiences
- Strategic partnerships
- Alternatives
- Data
- Scale.



2022 in review

2022 was a turbulent year with surging interest rates following many years of interest rate decline. This resulted in an uncertain financial market, which challenged bonds and equities as well as other risk assets. In the current market situation Wealth Management will maintain a close dialogue with clients to offer the best possible advice.

Wealth Management has recorded strong client growth, high client satisfaction and positive net sales in 2022. However, uncertainty still prevails in financial markets, which have, quite exceptionally, seen falling equities and falling bonds. 2022 saw negative market returns, which has affected business development.

There is continued strong demand for sustainable solutions and products within all asset classes. Equity investors remained particularly attracted to value equities and equity management bearing a strong sustainability profile. Finally, we launched Nykredit PuljeInvest, an investment product aimed at personal customers' pension savings.

Wealth Management strives to improve the customer experience by, for example,

- enhancing digital investment solutions for personal customers using mobile and online banking services
- cooperating and developing joint products and solutions under the Sparinvest partnership
- focusing on sustainability in advisory services, products and concepts that provide our customers with even more and better opportunities to invest sustainably
- offering mutual benefits, including funds carrying the Nordic Swan Ecolabel
- implementing EU Sustainable Finance
- expanding knowledge of our alternative investment propositions.

Wealth Management holds a strong market position and has received international recognition in 2022 in the form of prizes awarded for our private banking and asset management propositions.

Contributions to Wealth Management are included under Banking on page 23.

Selected awards in 2022

Morningstar Fund Awards

- Best manager of equities
- Best manager of bonds
- Best manager of equities and bonds

The Danish Consumer Council:

- Best in Test – sustainable funds
- Several awards at the WealthBriefing European Awards

Financial performance in 2022

Wealth Management's business profit was high at DKK 1,010 million for 2022 (2021: DKK 942 million).

Income rose from last year to DKK 1,929 million (2021: DKK 1,780 million) chiefly driven by net interest income and wealth management income resulting from an increase in assets under management over the year compared with 2021.

Impairment charges for loans and advances were a net reversal of DKK 8 million (2021: a net reversal of DKK 64 million).

		DKK million					
Results –			Q4/	Q3/	Q2/	Q1/	Q4/
Wealth Management	2022	2021	2022	2022	2022	2022	2021
Net interest income	307	201	115	76	61	56	53
Net fee income	49	41	12	16	11	9	9
Wealth management income	1,551	1,504	370	393	392	396	408
Net interest from capitalisation	(16)	(11)	(6)	(4)	(3)	(3)	(3)
Trading, investment portfolio and other income	38	44	7	10	8	13	9
Income	1,929	1,780	498	491	469	471	477
Costs	926	902	239	218	238	232	230
Business profit before impairment charges	1,002	878	259	273	231	239	247
Impairment charges for mortgage lending	7	1	6	0	0	1	0
Impairment charges for bank lending	(15)	(65)	6	3	(1)	(23)	1
Business profit	1,010	942	248	269	232	262	245

Results for Q4/2022

Wealth Management delivered a business profit of DKK 248 million in Q4 (Q3/2022: DKK 269 million).

Income totalled DKK 498 million in Q4/2022, which represented a rise compared with Q3 due to rising net interest income (Q3/2022: DKK 491 million).

Impairment charges for loans and advances were DKK 12 million (Q3/2022: DKK 3 million).



Business profit in Q4
DKK 248m
(Q3/2022: DKK 269m)

Activities

Assets under management went down by DKK 32.1 billion to DKK 406.0 billion at end-2022 (end-2021: DKK 438.1 billion). The decline was the result of positive net sales of DKK 21.8 billion, driven by demand from clients via the Sparinvest partnership, Retail and Private Banking Elite clients and from institutional clients and international clients, as well as negative returns of DKK 53.9 billion.

Assets under administration decreased by DKK 154.9 billion compared with end-2021 to DKK 984.9 billion at end-2022 (end-2021: DKK 1,139.7 billion). The decrease comprised net additions of DKK 10.4 billion, driven by net outflows from institutional clients, partially offset by net additions from Sparinvest as well as Nykredit Invest concerning the Group's savings products, and negative returns of DKK 144.5 billion.



	DKK million				
Selected balance sheet items					
Wealth Management	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
Assets under management	406,014	392,949	404,615	427,018	438,140
- of which Nykredit's investment funds	195,519	191,591	195,171	209,655	213,731
Assets under administration¹	984,897	971,150	1,002,421	1,098,492	1,139,749
Lending/deposits					
Loans and advances	20,594	17,471	16,828	17,199	16,861
- of which mortgage lending, nominal value	14,373	11,675	11,097	11,605	11,797
- of which secured homeowner loans	1,267	1,152	1,053	1,032	1,035
- of which bank lending	4,955	4,645	4,678	4,562	4,029
Deposits	19,070	18,149	16,329	14,085	14,453



Assets under management

DKK 406bn

(2021: DKK 438bn)

Group Items

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

Group Items also includes Nykredit's total return on the securities portfolio. The activities of the companies Kalvebod Ejendomme I A/S and Kirstinehøj 17 A/S also form part of Group Items.

DKK million							
Results – Group Items	2022	2021	Q4/ 2022	Q3/ 2022	Q2/ 2022	Q1/ 2022	Q4/ 2021
Net interest income	(18)	(6)	4	(19)	(1)	(2)	0
Net fee income	(30)	(12)	(1)	(16)	0	(12)	8
Wealth management income	35	17	9	7	10	8	(3)
Net interest from capitalisation	81	117	11	23	24	23	42
Net income relating to customer benefits programmes ¹	(443)	(414)	(119)	(132)	(110)	(81)	(120)
Trading, investment portfolio and other income	947	2,073	1,530	(49)	(668)	134	860
Income	573	1,776	1,435	(187)	(744)	69	788
Costs	246	353	157	24	37	27	179
Business profit (loss) before impairment charges	327	1,423	1,278	(211)	(782)	42	609
Impairment charges for mortgage lending	1	0	5	2	(5)	0	0
Impairment charges for bank lending	(5)	1	1	3	(1)	(8)	2
Business profit (loss)	330	1,422	1,272	(216)	(776)	50	608

Financial performance in 2022

The business profit of Group Items decreased by DKK 1,091 million on last year to DKK 330 million (2021: DKK 1,422 million).

This was partly offset by positive effects on income in 2021, partly driven by the sale of the Depository Services unit, as well as investment portfolio income, which in 2022 was adversely affected by negative value adjustments of Danish mortgage bonds due to yield spread widening.

In Q4 investment portfolio income was affected by positive value adjustments of the portfolio of bank equities and mortgage bonds due to tightened yield spreads.



Capital, funding and liquidity



CET 1 capital ratio
19.5%
(2021: 20.6%)



Total capital ratio
23.3%
(2021: 24.7%)



Internal capital adequacy requirement
11.6%
(2021: 11.2%)

Equity and own funds

The Nykredit Realkredit Group's equity stood at DKK 96.8 billion at end-2022, up DKK 3.2 billion on end-2021.

Given the Group's highly satisfactory financial performance in 2022, it is recommended to the Annual General Meeting that the Nykredit Realkredit Group distribute ordinary dividend of DKK 4.65 billion to the Company's shareholder. This corresponds to about 50% of profit after tax for 2022, 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-2022. 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 2022 Nykredit distributed extraordinary dividend of DKK 1.55 billion. With the extraordinary distribution of dividend, the dividend policy target of around 50% has been met for 2019 and 2020, when Nykredit followed the Danish FSA's recommendation on restriction of distributions during the covid-19 pandemic. Nykredit distributed ordinary dividend of DKK 4.35 billion for the 2021 financial year in 2022, equal to 50% of profit after tax for 2021.

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.

DKK million

Nykredit Realkredit Group Equity (including AT1 capital)	31.12.2022	31.12.2021
Equity, beginning of year	93,591	89,774
Profit for the year	9,454	8,870
Other adjustments	(6,215)	(5,054)
Equity, year-end	96,829	93,591

DKK million

Nykredit Realkredit Group Capital and capital adequacy	31.12.2022	31.12.2021
Equity (including AT1 capital)	96,829	93,591
AT1 capital etc	(3,751)	(3,729)
Proposed dividend	(4,650)	(4,380)
CET1 regulatory adjustments	(2,631)	(2,523)
CET1 capital	85,797	82,959
AT1 capital	3,654	3,706
AT1 regulatory deductions	(4)	(21)
Tier 1 capital	89,446	86,644
Tier 2 capital	10,723	10,777
Tier 2 regulatory adjustments	2,104	2,049
Own funds	102,273	99,471
Credit risk	366,083	350,326
Market risk	42,443	24,075
Operational risk	29,738	27,244
Total risk exposure amount	438,263	401,644
CET 1 capital ratio	19.5	20.6
Tier 1 capital ratio, %	20.4	21.5
Total capital ratio, %	23.3	24.7

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 rather than in Common Equity Tier 1 (CET1) capital.

On 17 November 2022, Nykredit Realkredit A/S redeemed capital notes in the form of Tier 2 capital of EUR 800 million (DKK 5.9 billion). In the period from September to October 2022, Nykredit Realkredit A/S issued new Tier 2 capital of a corresponding amount.

Capital and capital adequacy

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

At end-2022, Nykredit's risk exposure amount (REA) totalled DKK 438.3 billion (end-2021: DKK 401.6 billion). With own funds at DKK 102.3 billion, this corresponds to a total capital ratio of 23.3% (end-2021: 24.7%). The CET1 capital ratio was 19.5% (end-2021: 20.6%).

REA for credit risk has increased by DKK 15.8 billion due to lending growth and regulatory changes, particularly with respect to IRB. At the beginning of 2022, Nykredit implemented the new guidelines from the European Banking Authority (EBA) on the estimation of IRB models. REA for market risk increased by DKK 18.4 billion in 2022 due to financial market turmoil.

REA increased despite the fact that higher interest rates in 2022 have reduced the value-adjusted debt outstanding of mortgage lending. At the same time continued low arrears and recent years' price rises in the property market have limited the increase in REA. We expect a reversal of economic trends and declining housing market prices going forward, which will further increase REA for credit risk. This will be factored into Nykredit's capital planning for the coming years.

CET1 capital totalled DKK 85.8 billion at end-2022 (end-2021: DKK 83.0 billion). AT1 capital after regulatory deductions

amounted to DKK 3.7 billion at end-2022. Tier 2 capital was DKK 10.7 billion excluding regulatory adjustments at end-2022 (end-2021: DKK 10.8 billion).

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 ratings.

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 allowing Forenet Kredit to realise its key priorities.

Capital targets

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

Nykredit's capital policy must also adhere to current legislation and FSA requirements.

The capital targets correspond to Nykredit's capital requirement during a severe recession and is 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 ranks on a par with listed systemically important financial institutions (SIFI) in terms of capitalisation.

Nykredit Group		
Shareholders	Share capital, DKK	Share capital, %
as at 31 December 2022		
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
Østifterne f.m.b.a.	21,616,300	1.63
AP Pension	21,563,500	1.63
AkademikerPension	5,786,300	0.44
Industriens Fond	4,463,700	0.34
Total	1,326,980,700	100.00

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 the overall capital targets and must be met using CET1 capital. Upon recommendation by the Danish Systemic Risk Council, the Danish Minister for Industry, Business and Financial Affairs has decided that the countercyclical buffer should be increased further from 2.0% at end-2022 to 2.5% with effect from 31 March 2023. This 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

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.

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 2022 available at nykredit.com/riskandcapital-management

The Nykredit Realkredit Group's required own funds were DKK 50.5 billion at end-2022 (end-2021: DKK 44.8 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 11.6% at end-2022 (end-2021: 11.2%).

The Nykredit Realkredit Group has excess capital of currently 5.2 percentage points relative to the capital requirement, ie the internal capital adequacy requirement plus the combined buffer requirement totalling 6.5% at end-2022.

Pillar I

Pillar I capital, covering credit, market and operational risks, was determined at DKK 35.1 billion at end-2022 (end-2021: DKK 32.1 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 15.4 billion at end-2022 (end-2021: DKK 12.7 billion).

	DKK million	
Nykredit Realkredit Group Required own funds and internal capital adequacy requirement	31.12.2022	31.12.2021
Credit risk	29,287	28,026
Market risk	3,395	1,926
Operational risk	2,379	2,180
Total Pillar I	35,061	32,132
Risk scenarios and credit quality changes	9,264	7,334
Other risks	6,147	5,363
Total Pillar II	15,411	12,697
Total required own funds	50,472	44,828
Internal capital adequacy requirement (Pillar I and Pillar II), %	11.6	11.2

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-2022 (end-2021: 4.8%).

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

11.6%

(2021: 11.2%)

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 2022, Nykredit Bank's deposits equalled 119.5% of lending against 120.2% in 2021.

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 LCRs of the various Group companies are significantly above the regulatory requirement of 100%.

	(%)	
Nykredit Realkredit Group		
LCR determination	31.12.2022	31.12.2021
Nykredit Realkredit Group*	283	591
Nykredit Realkredit Group, LCR requirement in EUR	317	392
Nykredit Realkredit and Totalkredit	529	2,305
Nykredit Realkredit and Totalkredit, including LCR Pillar II requirements	208	-
Nykredit Bank	205	213

* Since 2016, as a Danish mortgage provider, Nykredit has been exempt from including part of its mortgage-related cash flows in the determination of its LCR, and the Danish FSA has instead set a minimum liquidity requirement. In practice, the requirement means that Nykredit must hold a stock of liquid assets of 2.5% of its mortgage lending.

The Danish FSA introduced a requirement of an individual and risk-based Pillar II liquidity add-on for mortgage banks applicable as per 8 July 2022. As per the same date, a new regulatory overcollateralisation requirement applicable to SDO capital centres took effect. The changes have limited consequences for Nykredit's liquidity reserves.

Nykredit's liquid assets mainly consist of 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.

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).

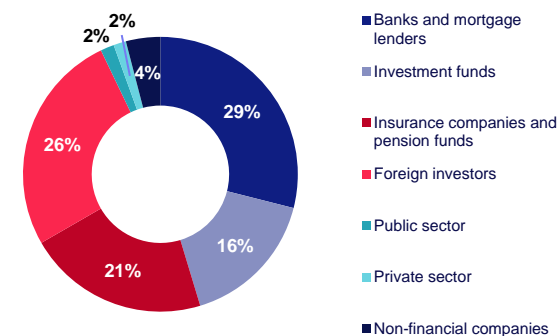
Nykredit's SDOs and ROs are issued through daily tap issuance coupled with bond auctions to refinance ARMs and floating-rate loans etc. At end-2022, the Group had a nominal amount of DKK 1,383 billion of SDOs in issue and DKK 120 billion of ROs in issue.

Nykredit's investors are mainly Danish institutional investors, comprising Danish banks, mortgage lenders and investment funds, which held a total of 45% at end-2022, and insurance companies and pension funds, which held 21%. Foreign ownership amounted to 26% at end-2022. Foreign investors have predominantly been buyers of long-dated callable covered bonds and are buying relatively fewer short-dated bonds. In 2022 issuance patterns changed as a result of the surging interest rates, and short-dated bonds were increasingly issued rather than long-dated callable covered bonds. This could lead to a shift in our investor base.

In 2022 Nykredit issued bonds worth a total of DKK 555 billion, of which daily tap issues amounted to DKK 406 billion, including bonds delivered to the Totalkredit partner banks, while bonds issued for the purpose of refinancing auctions amounted to DKK 149 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

Since 2019 Nykredit has been offering green mortgage loans to business customers. We also offer a series of green banking products.

At end-2022, DKK 29.6 billion-worth of green mortgage bonds, DKK 0.7 billion-worth of green senior non-preferred debt and about DKK 1.0 billion-worth of green Tier 2 capital had been issued.

Nykredit's Green Bond Framework, which was established in compliance with ICMA's Green Bond Principles (GBP), describes the principles of green loans and determines which sustainable assets are eligible for financing with green bonds.



Green bonds
DKK 31.3bn
 (2021: DKK 22.5bn)

Refinancing risk

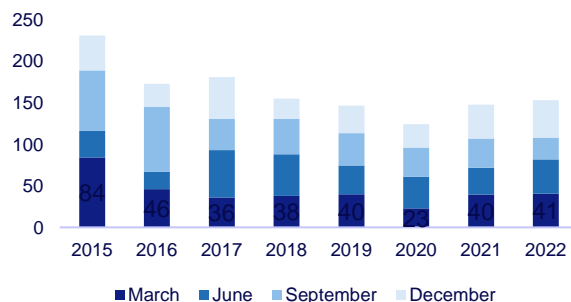
Over a number of years Nykredit has reduced its refinancing risk and established an even maturity profile.

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

The annual maturity one year ahead totalled DKK 230 billion (end-2021: DKK 231 billion), of which ordinary principal payments, prepayments etc totalled DKK 37 billion (end-2021: DKK 63 billion). Refinancing volumes amounted to DKK 193 billion (end-2021: DKK 167 billion).

The final refinancing volumes are typically lower than the volumes maturing, and actual refinancing volumes at around DKK 186 billion are expected next year, see the issuance schedule for 2023. Actual annual refinancing volumes came to DKK 153 billion in 2022.

Refinancing volumes, mortgage covered bonds (SDOs and ROs), DKK billion



	DKK billion
Nykredit Realkredit Group Refinancing¹	01.01-31.12.2023
Total maturity before set-off of self-issued bonds	229.5
- ordinary principal payments and scheduled ² pre-payments (settled)	33.8
- ordinary principal payments and scheduled ² pre-payments (not settled)	20.3
- pre-issued bonds and interest rate risk ²	(17.2)
Total refinancing volume	192.6
- pre-auctioned amount sold under forward contracts	20.5
Refinancing volume remaining for 1 January 2023 – 31 December 2023	213.1
of which SDOs and ROs	212.1
of which other issues	1.0

¹ Applicable for the January, April, July and October 2023 payment dates.

² Known as at 31 December 2022.

Liquidity and bond portfolio

The Group's bond portfolio comprises the liquid assets of the Group's mortgage lenders and Nykredit Bank. This includes portfolios attributable to market making in the mortgage lending and banking areas, proceeds from the issuance of senior secured and unsecured debt as well as encumbered assets.

In compliance with the balance principle, the bond portfolios of the Group's mortgage lenders include a temporary portfolio relating to the refinancing of bullet covered bonds used to fund Nykredit's ARMs, funds prepaid such as ordinary principal payments, prepayments and mortgage loans not yet paid out. This is why the value of bonds in issue will exceed the value of the mortgage loan portfolio in the period leading up to a payment date.

	DKK billion	
Nykredit Realkredit Group Difference between mortgage lending and bonds in issue	31.12.2022	31.12.2021
Mortgage loans – nominal value, see note 24 a	1,430	1,391
Bonds in issue – nominal value, see notes 39 a and 39 b	1,503	1,476
Difference	73	85
The difference comprises:		
- Bonds sold in connection with refinancing ¹	32	28
- Ordinary principal payments and prepayments ²	38	55
- Pre-issued bonds for loans not yet paid out and other pre-issues	3	2
Total	73	85

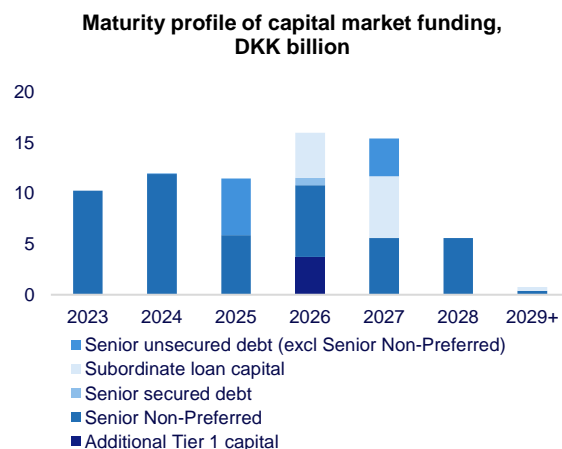
¹ Nykredit issues and auctions new bonds about one month prior to the maturity of the existing bonds. The proceeds are used to buy back/redeem the bonds maturing on 2 January. For a period, there is a double set of bonds.

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 pre-payment. 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. At end-2022, Nykredit complied with the requirements of 2% and 8%, respectively.

In 2022 Nykredit issued about DKK 3.7 billion-worth of senior preferred debt, about DKK 2.6 billion-worth of senior non-preferred debt and about DKK 6.0 billion-worth of Tier 2 capital eligible for meeting the 8% requirement.



Note: Maturity of capital instruments by first call date.

The Bank's senior preferred debt outstanding consisted of short-term ECP of DKK 9.5 billion as at 31 December 2022.

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	31.12.2022	31.12.2021
Covered bonds (ROs), see note 39 a	119,758	124,927
Covered bonds (SDOs), see note 39 b	1,383,244	1,351,177
Senior secured debt, see note 39 c	704	853
Senior preferred debt of Nykredit Realkredit A/S	9,296	5,577
Senior non-preferred debt	42,345	50,098
Tier 2 capital, see note 49	10,136	10,737
AT1 capital, see note 4 (Nykredit Realkredit A/S)	3,654	3,706
ECP issues of Nykredit Bank A/S	9,545	4,415

Issuance schedule for 2023

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 49 billion and DKK 48 billion at the auctions in February and May 2023, respectively, and DKK 49 billion and DKK 40 billion at the auctions in August and November 2023, respectively.

Apart from the issuance of SDOs and ROs, Nykredit's need to issue other capital market funding depends on the interest rate level. Nykredit expects to issue bonds worth up to DKK 10 billion by end-2023.

ECP issuance will continue through Nykredit Bank.

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.

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.

Covered bonds initially issued by LR Realkredit are not and will not be rated.

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 (Environmental, Social and Governance) are a tool used by investors and other stakeholders to assess a company's position relative to sustainability, corporate responsibility and governance.

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	AA
Sustainalytics	Low risk
CDP	A-

Credit ratings

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 unsecured 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 unsecured non-preferred debt	A+	A-1		A+	F1	

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 2022.

In Q2/2022 and Q3/2022, Nykredit Bank's lending growth exceeded the benchmark limit.

Nykredit Bank A/S		
Supervisory Diamond for banks	31.12.2022	Limit value
Large exposures	115.7%	<175%
Lending growth	13.7%	<20%
Property exposure	12.1%	<25%
Liquidity benchmark	272.0%	>100%

Benchmark	Nykredit Realkredit Group 31 December 2022	Nykredit Realkredit A/S 31 December 2022	Totalkredit 31 December 2022	Limit value
Lending growth in segment				
Personal customers ¹	(0.1)%	(15.0)%	0.5%	15.0%
Commercial residential properties ¹	0.9%	0.3%	29.1%	15.0%
Agricultural properties	(3.0)%	(3.0)%	0.0%	15.0%
Other commercial	10.0%	9.7%	17.6%	15.0%
Borrower's interest rate risk				
Private residential and residential rental	12.3%	22.0%	10.0%	25.0%
Interest-only loans				
Personal customers	5.2%	2.9%	5.3%	10.0%
Loans with short-term funding				
Refinancing (annually)	10.1%	16.0%	6.5%	25.0%
Refinancing (quarterly)	2.3%	1.9%	2.6%	12.5%
Large exposures				
Loans and advances:equity	49.4%	48.3%	7.2%	100.0%

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

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.



Net reversal
DKK 80m
(2021: net reversal of
DKK 115m)



Provisions – geopolitical
tensions and covid-19
DKK 2.4bn
(2021: DKK 2.1bn)

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.

Geopolitical tensions

Geopolitical tensions continue to prevail, and the global economy is challenged by, for instance, the war in Ukraine. 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, including gas supplies.

Provisions related to the geopolitical tensions are based on stress test calculations of two factors. Firstly, stress simulations have been performed for stage 1 and stage 2 personal and business customers. We expect a drop in personal customers' discretionary incomes as a consequence of increased inflation, higher energy prices and rising interest rates. Provisions of DKK 765 million have been taken to mitigate such risk.

Secondly, business customers heavily reliant on energy for production and manufacturing are also likely to be affected. We have taken provisions of DKK 1,115 million for exposed sectors, and total provisions to manage the aggravated risk outlook now amounts to 1,880 million.

Covid-19

General uncertainty about the impacts of the covid-19 pandemic has fallen, yet continues to be present. Repayment of loans granted under government relief packages increases the number of bankruptcies, which is considered the primary risk driver in the assessment of the pandemic.

Provisions for covid-19-induced losses are based on stress test calculations of two different factors. Firstly, stress simulations have been performed for stage 1 and stage 2 customers in high-attention sectors. Secondly, the property values of stage 3

customers have been stressed to simulate a reduction in collateral values. At stage 3 we have raised the probability of an adverse scenario for customers in high-attention sectors. Furthermore, the macroeconomic scenarios in our impairment model for stage 1 and stage 2 customers have been prepared to allow for the covid-19 impact.

Of the total loan impairment provisions of DKK 2.1 billion taken in 2020 to cover the consequential loan losses arising from covid-19, Nykredit has reversed DKK 1.6 billion owing to lower risk assessment. The remaining provisions for covid-19-induced losses comprised DKK 349 million related to property values and DKK 191 million related to exposed sectors. Provisions totalled DKK 540 million.

For further information about the impacts of covid-19 and the geopolitical tensions on impairment charges for loans and advances and our portfolio distribution, please refer to our Fact Book Q4 2022, which is available at nykredit.com

Macroeconomic impact on impairment levels

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

The loan portfolio measured at nominal value developed positively in 2022, and individual impairment provisions remained low. Arrears ratios were declining for some portfolios and stable for others. Write-offs have been low compared with previous years. Individual impairment provisions resulting from covid-19 and geopolitical tensions, including the war in Ukraine and sanctions against Russia were only recorded for a few exposures.

Nykredit's macroeconomic forecasts in connection with loan impairments related to covid-19 and geopolitical tensions have

been incorporated into the impairment models and into 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-2022, the scenarios were updated to reflect the current and expected economic environment, including the geopolitical tensions caused by, for example, the war in Ukraine and resulting market conditions. The main scenario must reflect the economic environment. The main scenario carries a 55% weighting. The main scenario used for the impairment models implies 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 40%. This scenario implies expected GDP decline of 0.6% and house price decreases of 7.6% in 2023.

	DKK million					
	Loans, advances and guarantees		Total provisions for loan impairment and guarantees		Impairment charges for loans and advances, earnings impact	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Nykredit Realkredit Group						
Loans, advances, guarantees and impairment charges for loans and advances						
Mortgage lending, nominal value						
Nykredit Realkredit	552,492	525,274	4,232	4,793	(504)	(160)
Totalkredit	877,399	865,802	1,687	1,721	27	161
Total	1,429,891	1,391,076	5,919	6,515	(477)	0
Loans and advances etc						
Nykredit Bank	86,735	74,513	3,132	2,755	393	(208)
Total	86,735	74,513	3,132	2,755	393	(208)
Receivables from credit institutions	11,582	5,165	18	24	(5)	2
Reverse repurchase lending	37,970	50,900	0	0	-	-
Guarantees etc	8,393	8,987	340 ¹	331 ¹	9 ¹	90 ¹
Loan impairment, %²						
Nykredit Realkredit			0.76	0.90	(0.09)	(0.03)
Totalkredit			0.19	0.20	0.00	0.02
Total			0.41	0.47	(0.03)	0.00
Nykredit Bank			3.48	3.57	0.44	(0.27)
Total			3.48	3.57	0.44	(0.27)

¹ Impairment charges for loan commitments etc were DKK 67 million (Q3/2022: DKK 60 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 Annual Report. This scenario uses realised levels of interest rates, GDP, house prices and unemployment. Based on this weighting, impairment provisions totalled DKK 9,409 million as at 31 December 2022 (end-2021: DKK 9,625 million). If the main scenario carried a 100% weighting, total impairment provisions would decrease by DKK 0.1 billion. Compared with the main scenario, total impairment provisions would rise by DKK 1.5 billion 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 1.0 billion.

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, retail as well as accommodation and food service. If the adverse scenario carried a 100% weighting, the impairment level of such customers will increase by DKK 1,282 million. If the weighting of the improved scenario was 100%, total impairment provisions of such customers will be reduced by DKK 561 million. These sensitivities form part of the sensitivities mentioned above.

See our Factbook Q4 2022 for a sector breakdown and the impact of the geopolitical tension on these sectors.

As at 31 December 2022, the impairment model applied the following main scenario and adverse scenario:

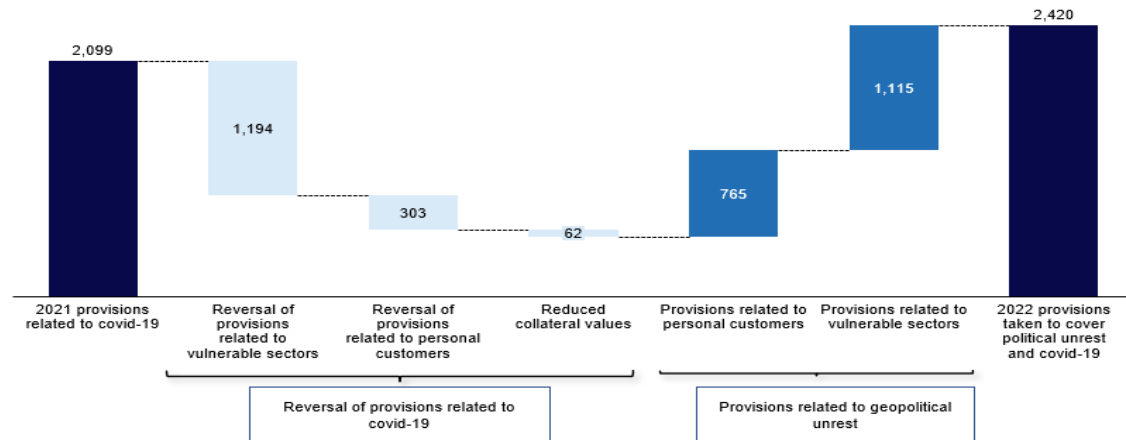
Nykredit Realkredit Group Scenarios for impairment calculations	Main scenario			Adverse scenario			%
	2022	2023	2024	2022	2023	2024	
Short-term rate ¹	1.1	2.5	2.6	1.1	3.3	3.6	
Long-term rate ²	1.6	1.9	2.4	1.6	2.7	3.2	
House prices ³	2.4	(5.6)	(1.5)	2.2	(7.6)	(5.0)	
GDP ³	2.8	0.2	1.5	2.7	(0.6)	0.9	
Unemployment ⁴	2.4	3.1	3.3	2.4	3.3	3.6	

¹ Short-term rate reflects the 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.

Nykredit's main scenario assumes that during 2022 and 2023 GDP and house prices will be significantly reduced relative to previous forecasts due to the effects of the geopolitical tensions. Our starting point, however, was low arrears and overdraft levels.

We expect that some sectors may encounter difficulties with the repayment of loans granted under government relief packages. This, in combination with energy supply challenges, rising cost prices and supply chain disruptions, has led Nykredit to adjust its main scenario.

Provisions concerning geopolitical tensions and covid-19 (DKK million)



Post-model adjustments

Corrections and changes to assumptions in the impairment models are based on management judgement. At end-December 2022, these post-model adjustments came to DKK 4,073 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.

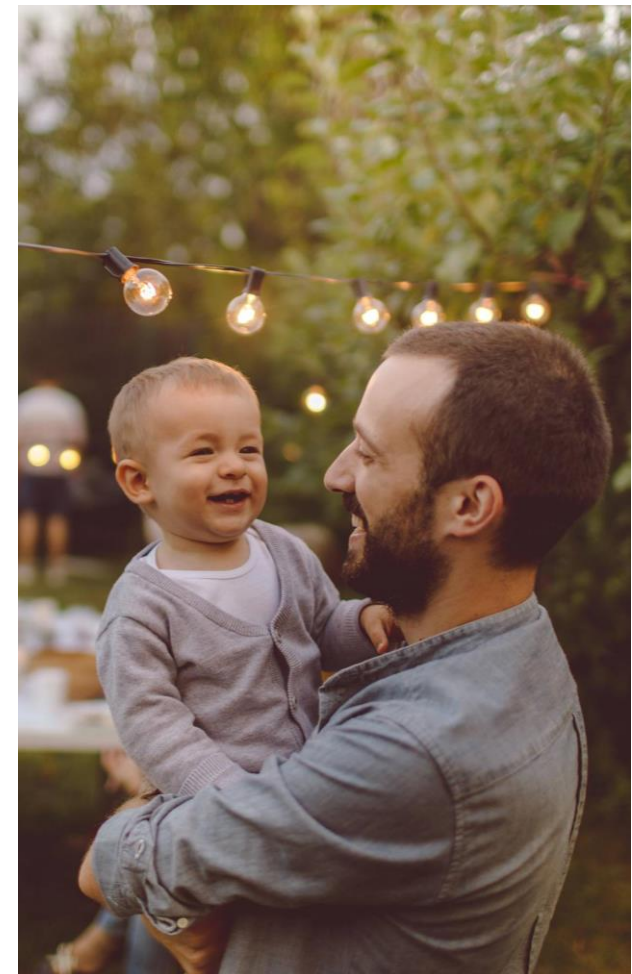
Physical and transition risks related to ESG will be a challenge for Nykredit's business models in certain sectors and areas. At the same time, legislative measures may have a large impact on Nykredit's loan portfolio. On balance, the value of certain assets is expected to decrease. Provisions based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

The general assessment of economic trends in 2022 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	31.12.2022	31.12.2021
Agriculture	644	499
Covid-19	533	1,244
Geopolitical tensions	1,077	-
Concentration risks in loan portfolios	217	254
Total macroeconomic risks	2,471	1,997
Process-related	554	240
Model changes	116	326
ESG	200	0
Other (results of controlling, hair-cuts etc)	732	935
Total process-related circumstances	1,602	1,501
Total post-model adjustments	4,073	3,498

Note: At end-2022, another DKK 810 million was added to the impairment models as in-model adjustments, where exposed sectors due to geopolitical tensions and covid-19 are stressed, resulting in a change of stage (end-2021: DKK 855 million). Of this amount, DKK 803 million was attributable to geopolitical tensions and DKK 7 million to covid-19.

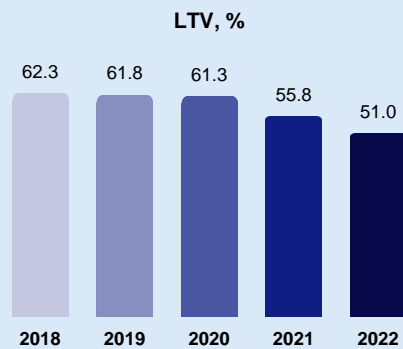


Mortgage lending

At end-2022, Nykredit's credit exposure in terms of nominal mortgage lending was DKK 1,430 billion, corresponding to an increase of DKK 39 billion (end-2021: DKK 1,391 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 LTV was 51.0% at end-2022 (end-2021: 55.8%).



Total provisions for mortgage loan impairment

Total provisions for mortgage loan impairment equalled 0.41% of total mortgage lending, excluding credit institutions (end-2021: 0.47%). Total impairment provisions amounted to DKK 5,919 million at end-2022 (end-2021: DKK 6,515 million). Provisions concerning covid-19 and geopolitical tensions, for example the war in Ukraine, are based on stress test calculations and have been included in total impairment provisions.

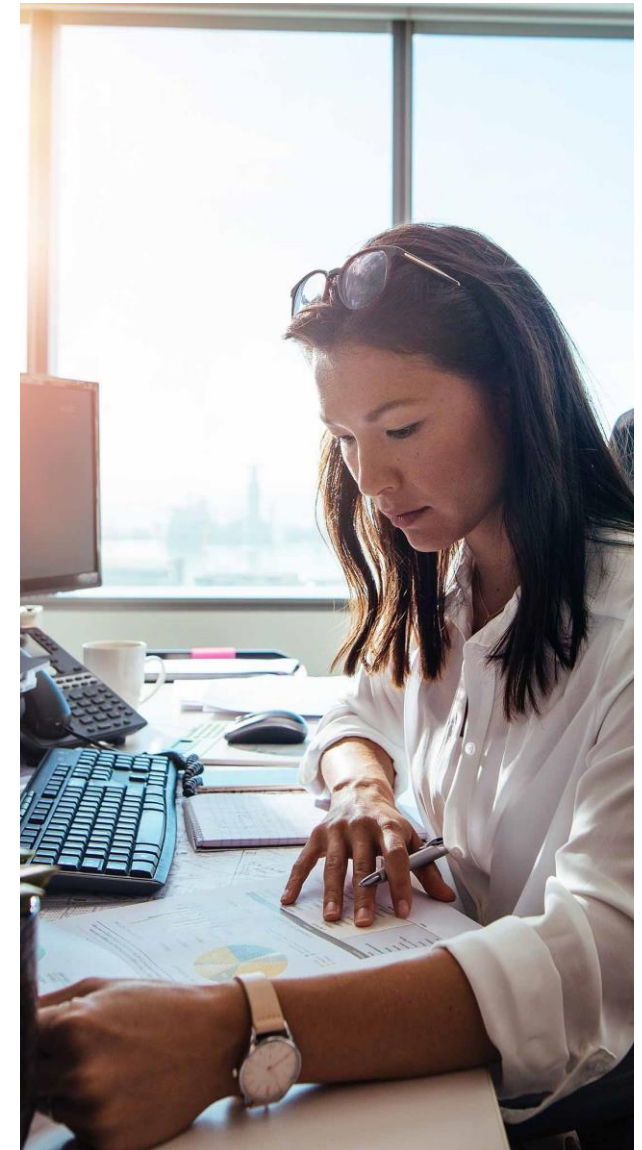
Impairment charges for loans and advances are mainly due to:

	DKK million	
Nykredit Realkredit Group		
Total impairment provisions for mortgage lending	31.12.2022	31.12.2021
Individual impairment provisions (stage 3)	1,750	2,631
Model-based impairment provisions (stages 1, 2 and 3)	4,169	3,883
- of the above attributable to geopolitical tensions and covid-19	1,616	1,473
Total impairment provisions for mortgage lending	5,919	6,515

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 for the year were a net reversal of DKK 477 million (2021: DKK 0 million). Of the impairment charges for loans and advances for the year, DKK 93 million was attributable to owner-occupied dwellings and a reversal of DKK 570 million to the business segment.



Arrears

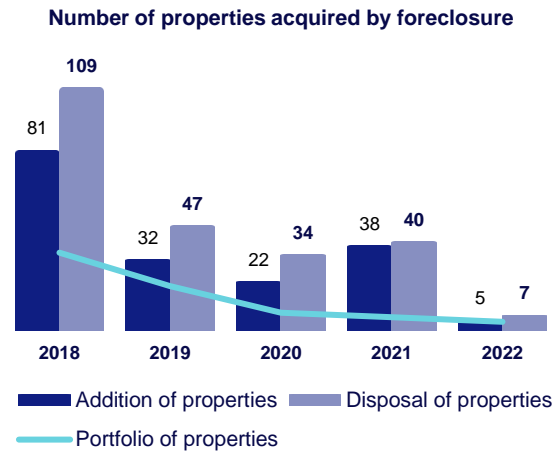
Mortgage loan arrears are determined 15 and 75 days past the due date. Mortgage loan arrears dropped to 0.16% of total mortgage payments due 75 days past the September due date (September 2021: 0.18%).

Bond debt outstanding affected by arrears as a percentage of total bond debt outstanding also decreased to DKK 1.55 billion (September 2021: DKK 1.74 billion).

Nykredit Realkredit Group	Arrears relative to total mortgage payments	Debt outstanding in arrears relative to total debt outstanding	Debt outstanding affected by arrears
	%	%	DKK billion
Due date			
2022			
- 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
- June	0.20	0.14	1.93
- March	0.22	0.15	2.07

Properties acquired by foreclosure

In 2022 the Group acquired 5 properties and sold 7. The property portfolio counted 4 properties at 31 December 2022 (end-2021: 6).



Mortgage lending (stock)

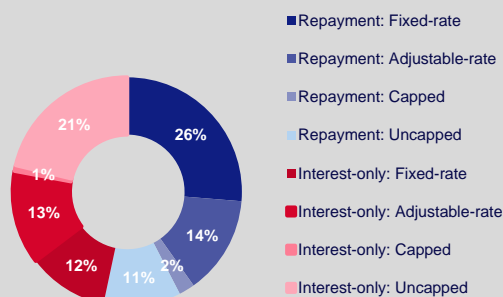
Owner-occupied dwellings accounted for 62% of total bond debt outstanding, which is a minor reduction from 64% in 2021.

Office and retail made up 10.4% and private rental represented 9.9% of the total bond debt outstanding. In 2021, office and retail amounted to 9.1%, while private rental was 8.8%.

Fixed-rate loans were 37.1% of total mortgage lending (2021: 50.1%), whereas adjustable-rate mortgages (ARMs) totalled 26.7% (2021: 25.5%). Loans without interest rate cap totalled 31.7% (2021: 20.1%).

Repayment loans accounted for 52.5% (2021: 56.5%), as shown below.

Distribution of mortgage lending



Mortgage lending by property type¹

DKK million
/number

Fair value at end-2022	Owner-occupied dwellings	Public housing ²	Cooperative housing	Private rental	Office and retail	Agriculture	Industry and trades	Other	Total 2022	Total 2021
Mortgage lending										
- Bond debt outstanding	802,649	76,832	30,649	127,973	134,588	79,898	23,046	16,484	1,292,119	1,382,551
- Number of loans	698,406	14,949	5,460	25,755	15,618	26,990	1,892	2,348	791,418	801,036
Bond debt outstanding by loans subject to										
- public guarantees	1	54,778	314	8	43	59	26	332	55,562	61,869
- bank guarantees	36,006	2	2	85	2	0	2	556	36,654	48,077
- set-off agreements with partner banks	131,724	0	0	0	0	0	0	0	131,724	145,695
- no guarantee	634,919	22,052	30,333	127,879	134,543	79,839	23,018	15,596	1,068,179	1,126,911
Total	802,649	76,832	30,649	127,973	134,588	79,898	23,046	16,484	1,292,119	1,382,551
Bond debt outstanding by loan type										
Fixed-rate loans										
- repayment loans	270,661	14,548	10,378	9,068	16,167	3,211	3,773	6,638	334,444	477,314
- includes interest-only period	123,447	28	4,037	9,882	2,838	3,841	15	459	144,548	215,895
Adjustable-rate mortgage loans (ARMs)										
- repayment loan, 1-year interest reset	9,562	49	132	830	735	1,118	103	327	12,855	14,448
- other repayment loans	90,281	43,088	1,135	9,936	11,147	5,704	1,227	1,263	163,780	162,623
- includes interest-only period, 1-year interest reset	3,258	0	82	225	314	554	2	100	4,535	6,011
- other, including interest-only period	110,371	0	3,664	27,859	9,373	8,112	4,058	256	163,693	169,937
Money market-linked loans										
Loans with interest rate cap										
- repayment loans	26,472	56	150	411	238	867	22	262	28,479	28,909
- includes interest-only period	9,719	0	104	125	11	387	1	2	10,349	8,590
Loans without interest rate cap										
- repayment loans	63,376	254	326	15,485	32,112	19,161	4,403	3,758	138,875	97,344
- includes interest-only period	95,501	33	9,276	54,128	61,652	36,928	9,440	3,371	270,330	179,891
Index-linked loans	0	18,775	1,366	24	1	16	0	48	20,230	21,589
Total	802,649	76,832	30,649	127,973	134,588	79,898	23,046	16,484	1,292,119	1,382,551

Mortgage lending (continued)

Bond debt outstanding was identified in all regions and with much the same distribution as in 2021.

For 67.4% (2021: 69.2%) of mortgage lending, the bond debt outstanding is less than DKK 5 million.

For 70.5% (2021: 70.6%), the bond debt outstanding has a time-to-maturity of more than 20 years.

Nykredit Realkredit Group									DKK million	DKK million
Mortgage lending by property type ¹									/number	
Fair value at end-2022	Owner-occupied dwellings	Public housing ²	Cooperative housing	Private rental	Office and retail	Agriculture	Industry and trades	Other	Total	Total 2021
Bond debt outstanding by region										
Capital Region of Denmark	226,459	27,655	16,461	44,922	46,323	1,967	3,579	6,221	373,586	390,670
Sealand Region	102,176	7,625	2,728	7,326	11,786	12,280	1,958	1,664	147,544	160,706
North Denmark Region	100,742	9,431	2,699	9,560	10,429	19,683	2,138	1,430	156,113	170,302
Central Denmark Region	199,044	16,851	4,520	24,180	20,466	25,062	5,873	4,407	300,402	321,866
South Denmark Region	163,287	15,269	4,198	15,718	14,449	20,873	2,428	2,761	238,984	263,867
Faeroe Islands and Greenland	1,695	0	43	417	27	0	0	0	2,181	2,784
- Total foreign	9,246	0	0	25,852	31,109	33	7,069	0	73,309	72,355
Total	802,649	76,832	30,649	127,973	134,588	79,898	23,046	16,484	1,292,119	1,382,551
Bond debt by debt outstanding, DKK million										
0-2	517,006	5,018	1,956	14,071	6,999	13,915	903	909	560,777	580,987
2-5	242,795	7,664	6,333	14,028	10,074	25,658	1,256	1,765	309,574	375,292
5-20	38,564	24,928	13,787	26,123	22,471	35,363	2,264	4,980	168,480	183,469
20-50	2,643	19,994	5,225	19,068	18,069	4,257	1,241	2,603	73,099	74,407
50-100	663	12,242	1,564	11,610	13,856	529	1,216	1,467	43,145	46,069
100-	978	6,987	1,785	43,072	63,119	176	16,166	4,760	137,043	122,327
Total	802,649	76,832	30,649	127,973	134,588	79,898	23,046	16,484	1,292,119	1,382,551
Bond debt outstanding by remaining loan term, years										
0-10	17,436	7,638	489	26,052	43,591	1,923	4,775	989	102,895	109,311
10-15	46,527	6,726	5,930	6,869	24,608	8,173	7,644	2,337	108,814	97,969
15-20	75,261	16,491	5,988	11,572	36,182	9,201	10,602	4,362	169,659	198,975
20-25	169,322	26,607	5,113	27,032	13,426	31,767	15	3,010	276,292	273,612
25-30	494,103	19,370	13,128	56,447	16,781	28,834	8	5,785	634,459	702,682
30-35	0	0	0	0	0	0	0	0	0	2
35-	0	0	0	1	0	0	0	0	1	1
Total	802,649	76,832	30,649	127,973	134,588	79,898	23,046	16,484	1,292,119	1,382,551

¹ The breakdown by property type is not directly comparable with Nykredit's business areas.

² Public housing includes mortgage lending for subsidised urban renewal.

Bank lending

The total credit exposure came to DKK 153.4 billion (end-2021: DKK 153.6 billion) of which DKK 20.3 billion for intercompany guarantees. Bank lending at amortised cost amounted to DKK 86.7 billion at end-2022 (end-2021: DKK 74.5 billion), up DKK 12.2 billion since the turn of the year.

Reverse repurchase lending totalled DKK 38.0 billion at end-2022 (end-2021: DKK 50.9 billion).

Guarantees provided amounted to DKK 8.4 billion (end-2021: DKK 9.0 billion).

	DKK million	
Nykredit Realkredit Group		
Bank lending and guarantees	31.12.2022	31.12.2021
Bank lending	86,735	74,513
Reverse repurchase lending	37,970	50,900
Guarantees	8,393	8,987
Intercompany guarantees	20,311	19,239
Total	153,409	153,638

Provisions for bank loan impairment (exclusive of credit institutions and guarantees) totalled DKK 3,132 million at end-2022 (end-2021: DKK 2,755 million). The provisions related to covid-19 and geopolitical tensions are based on stress test calculations and included in total impairment provisions.

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



Bank lending, reverse repurchase lending and guarantees by sector

Finance and insurance is still the sector with the largest credit exposure with loans and advances of DKK 44.8 billion (2021: DKK 56.4 billion).

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

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



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

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

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 Realkredit A/S counts 11 members, of whom six 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 2022

In H2/2022 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 2 November 2022 where the Board's performance and collaboration with the Group Executive Board were thoroughly 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.

It was also concluded that continuous efforts should be made to find more time for discussions of special business matters and to optimise the use of the board committees to ensure that board meeting discussions focus on the matters most relevant to Nykredit and on skill retention and development of the Board.

The next Board evaluation is scheduled for H2/2023.

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 2022.

Board Risk Committee

The function of the Board Risk Committee is to oversee Nykredit's overall risk profile and strategy, including to assess the long-term capital requirement and the capital policy. It also assesses risks related to products, business model, remuneration structure and incentives as well as risk models and methodological basis. The Board Risk Committee 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 Hans-Ole Jochumsen, former Vice Chairman, who are all members of the Boards of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the Annual General Meeting.

The Board Risk Committee held six meetings in 2022.

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 2022.

Board Remuneration Committee

The principal tasks of the Board Remuneration Committee are to qualify proposals for remuneration prior to consideration by the Board of Directors 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 2022.

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) and Tonny Thierry Andersen, Group Managing Director (Banking).

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 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-2022, the Group had identified a total of 222 risk takers:

Members of the Board of Directors: 28

Group Managing Directors: 4

Managing Directors of subsidiaries: 13

Other material risk takers: 177

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 51 million for 2022 (2021: DKK 73 million). The 2022 bonus provisions corresponded to 16% 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 colleague is chiefly based on their job performance. The 2022 bonus provisions in respect of these colleagues (excluding risk takers) amounted to DKK 27 million (2021: DKK 44 million). The 2022 bonus provisions corresponded to 23% of their fixed salaries.

In addition, a limited number of individual bonus programmes apply to selected colleagues. The 2022 bonus provisions in respect of these colleagues (excluding risk takers) amounted to

DKK 50 million (2021: DKK 52 million). The 2022 bonus provisions corresponded to 21% 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 2022 bonus provisions in respect of these managers and colleagues (excluding risk takers) amounted to DKK 23 million (2021: DKK 19 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 2022 provisions for one-off awards came to DKK 23 million (2021: DKK 20 million), which corresponded to 1% of the relevant group's fixed salaries.

Total provisions for accounting purposes for bonuses and one-off awards for 2022 came to DKK 187 million (2021: DKK 208 million). The total provisions for bonuses and one-off awards for 2022 corresponded to 6% 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 Realkredit A/S
Kalvebod Brygge 1-3
DK-1780 Copenhagen V
Denmark

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

CVR no: 12 71 92 80
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 23 March 2023.

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

- Annual Report 2022
- Corporate Responsibility Report 2022
- Risk and Capital Management 2022
- Factbook Q4 2022
- Disclosure of Board and Executive Compensation for 2022

Board of Directors

Merete Eldrup, former Chief Executive Officer
Chair

Preben Sunke, Director
Deputy Chair

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

Michael Demnitz, former Chief Executive Officer
Per W. Hallgren, Chief Executive Officer
Jørgen Høholt, former Banking Executive
Hans-Ole Jochumsen, former Vice Chairman
Vibeke Krag, former Chief Executive Officer
Allan Kristiansen, Chief Relationship Manager*
Mie Krog, Chief Executive
Inge Sand, Chair of Finansforbundet NYKREDS*
Kristina Andersen Skjøld, Customer Adviser*

* Staff-elected member

See page 182 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

Board Audit Committee

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

Board Risk Committee

Per W. Hallgren, Chair
Jørgen Høholt
Hans-Ole Jochumsen
Vibeke Krag

Board Nomination Committee

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

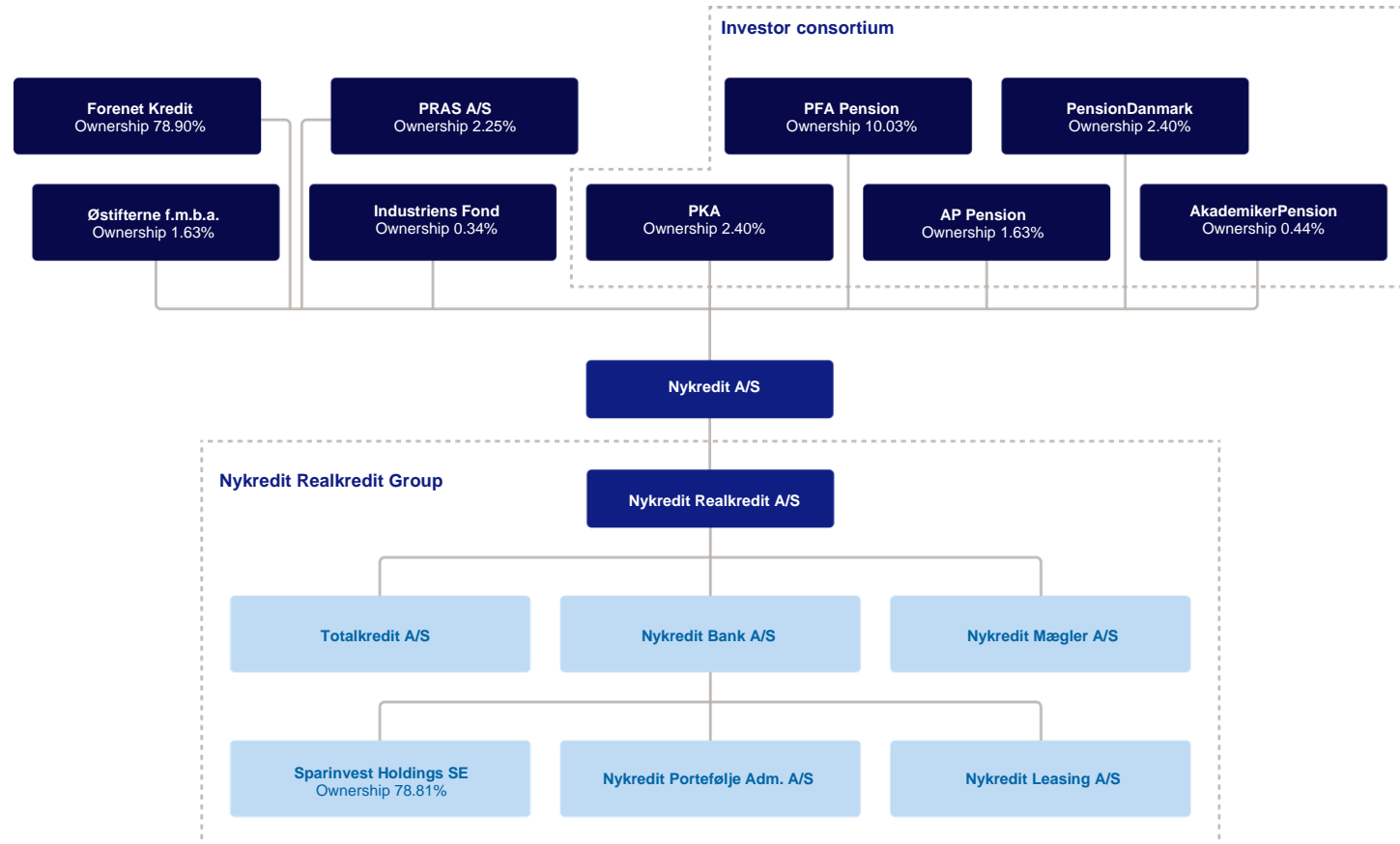
Board Remuneration Committee

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 page 6 and the business areas (pages 21-30 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 4 shows the reconciliation between the presentation in the financial highlights table of the Management Commentary and the presentation in the Consolidated Financial Statements prepared according to the IFRS and includes:

"Net interest income" comprising 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 64) 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 mutual and green benefits granted to the Group's customers. The amount includes contributions received. The effect of the benefits programmes is included under "Group Items".

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) as % of average business capital (RoAC). The return target appearing from the table in the financial highlights shows profit for the period relative to average business capital. Profit 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. Business capital corresponds to a capital target of 15.5% of the risk exposure amount.

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.

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

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

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 2022 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. The Financial Statements and the Management Commentary have been prepared in accordance with the Danish Financial Business Act.

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities, equity and financial position at 31 December 2022 and of the results of the Group's and the Parent's operations and the Group's cash flows for the financial year 2022.

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

ESEF-compliant financial reports

In our opinion, the Annual Report of Nykredit Realkredit A/S for the financial year 1 January to 31 December 2022 with the file

name NYRR-2022-12-31 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, 8 February 2023

Executive Board

Michael Rasmussen
Group Chief Executive

Anders Jensen
Group Managing Director

David Hellemann
Group Managing Director

Tonny Thierry Andersen
Group Managing Director

Board of Directors

Merete Eldrup
Chair

Preben Sunke
Deputy Chair

Olav Bredgaard Brusen*

Michael Demsitz

Per W. Hallgren

Jørgen Høholt

Hans-Ole Jochumsen

Vibeke Krag

Allan Kristiansen*

Mie Krog

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 2022, which comprise income statements, statements of comprehensive income, balance sheets, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company and a consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements for issuers of listed bonds, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2022 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds.

Further, in our opinion the parent company financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2022 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2022 in accordance with the Danish Financial Business Act .

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated

financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

We were initially appointed as auditor of Nykredit Realkredit A/S on 25 March 2021 for the financial year 2021. We have been reappointed annually by resolution of the general meeting for a total consecutive period of 1 year up until the financial year 2022.

Key audit matters

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

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Key audit matters	How our audit addressed the key audit matter
<p>Measurement of loans and guarantees</p> <p>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 1,417,517 million at 31 December 2022 (DKK 1,508,599 million at 31 December 2021), and total provisions for expected credit losses amounted to DKK 9,409 million at 31 December 2022 (DKK 9,625 million at 31 December 2021).</p> <p>We consider the measurement of impairment provisions on loans and provisions for losses on guarantees, etc. a key audit matter as the measurement implies significant amounts and management estimates. This concerns in particular the assessment of probability of default, staging and the assessment of indication of credit impairment, realisable value of collateral received as well as the customer's ability to pay in case of default.</p> <p>Significant exposures with high risk are assessed individually, whereas all other loans and loans with lower risk are assessed on the basis of models for expected credit losses where methods and assumptions used to assess the expected credit loss are based on assumptions and management estimates.</p> <p>The Group recognises additional impairment provisions based on management estimates in situations where the model-calculated and individually assessed impairment losses are not yet considered to reflect a specific loss risk ("in-model-adjustments" and "post-model-adjustments"),</p> <p>Reference is made to the accounting policies and note 18 and 56 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 56).</p>
<p>Fair value of swaps</p> <p>Measurement of the fair value of swaps is determined using valuation techniques based on observable market data as well as unobservable inputs regarding credit risk which to a high degree are based on management estimates. Due to the materiality of these estimates, the audit of measurement of fair value of swaps is a key audit matter.</p> <p>The Group's portfolio of swaps at 31 December 2022 include contracts with positive fair value of DKK 4.633 million (DKK 15,732 million at 31 December 2021) and negative fair value of DKK 7,263 million (DKK 7,810 million at 31 December 2021).</p> <p>The areas with highest level of judgement and complexity and which therefore require increased audit attention are:</p> <ul style="list-style-type: none"> • Valuation models and methods applied for the valuation of swaps • Management's assumptions and parameters applied to determine credit valuation adjustment (CVA) • 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 52 and 56. 	<p>Our audit included an examination of relevant business procedures, test of key controls and analysis of valuations. In addition, our audit procedures included:</p> <ul style="list-style-type: none"> • Assessment of the models and assumptions applied for calculating the risk relating to the customers' inability to pay (CVA) based on our knowledge of and experience with the sector. • Assessment of changes to the assumptions compared with trends in the sector as well as historical observations. • Risk-based test of the valuation of swaps using our internal valuation specialists. We also assessed whether disclosures relating to fair value and credit risks meet the relevant accounting rules and tested the amounts therein (note 18, 52 and 56).

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Management's responsibilities for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on compliance with the ESEF Regulation

As part of our audit of the Consolidated Financial Statements and Parent Company Financial Statements of Nykredit 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 2022 with the file name NYRR-2022-12-31 is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

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

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;

- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

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

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

Copenhagen, 8 February 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard
State Authorised
Public Accountant
mne28632

Thomas Hjortkjær Petersen
State Authorised
Public Accountant
mne33748

INCOME STATEMENTS

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group		
2021	2022		Note	2022	2021
INCOME STATEMENTS					
16,935	20,563	Interest income	9	27,050	23,048
-	-	Interest income based on the effective interest method	9	2,312	1,894
13,008	16,527	Interest expenses	10	17,158	13,651
3,927	4,036	Net interest income		12,203	11,291
145	185	Dividend on equities etc	11	191	149
857	910	Fee and commission income	12	4,713	4,303
408	529	Fee and commission expenses	13	4,625	4,129
4,520	4,602	Net interest and fee income		12,483	11,615
1,740	1,500	Value adjustments	14	3,680	3,573
1,481	1,783	Other operating income	15	1,582	1,765
3,112	3,194	Staff and administrative expenses	16	5,791	5,661
408	253	Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	17	294	444
202	203	Other operating expenses		235	236
(157)	(506)	Impairment charges for loans, advances and receivables etc	18, 19	(80)	(115)
5,339	5,476	Profit from investments in associates and Group enterprises	20	9	7
9,515	10,217	Profit before tax		11,514	10,734
690	824	Tax	21	2,060	1,863
8,825	9,393	Profit for the year		9,454	8,870
Distribution of profit for the year					
8,672	9,240	Shareholder of Nykredit Realkredit A/S		9,240	8,672
-	-	Minority interests		61	45
153	153	Holders of Additional Tier 1 capital notes		153	153
8,825	9,393	Profit for the year		9,454	8,870
Proposal for the distribution of profit					
5,339	5,476	Statutory reserves			
(3,647)	(2,436)	Retained earnings			
2,600	1,550	Paid extraordinary dividend			
4,380	4,650	Proposed dividend			
153	153	Additional Tier 1 capital			

BALANCE SHEETS

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
2021	2022	Note	2022	2021
ASSETS				
2,031	5,304		49,659	40,129
41,032	33,024	23	11,582	5,165
1,433,537	1,329,734	24	1,292,489	1,382,803
252	208	25	125,028	125,796
28,703	32,465	26	90,638	84,589
998	3,717	27	1,592	998
6,667	7,320	28	7,886	7,368
30	29	29	39	40
70,311	71,452	30	-	-
-	-	31	893	-
269	353	32	2,262	2,205
Land and buildings				
14	7		25	31
377	240		246	380
390	247	33	271	412
195	203	34	224	217
31	28	43	47	49
(0)	(0)	44	175	130
8	9	35	9	12
5,726	8,150	36	16,958	23,165
285	261		374	396
1,590,464	1,492,504		1,600,129	1,673,473

BALANCE SHEETS

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
2021	2022	Note	2022	2021
LIABILITIES AND EQUITY				
2,879	10,107	37	27,851	14,917
-	-	38	113,657	100,076
-	-		893	-
1,419,027	1,312,732	39	1,254,959	1,362,926
55,576	51,706	40	61,251	59,991
458	272	41	8,837	10,830
-	83	43	526	36
8,057	10,307	42	23,925	19,424
-	-		4	12
1,485,997	1,385,207		1,491,903	1,568,211
Provisions				
28	17	45	17	29
89	330	44	578	301
28	21	46	21	28
-	-	47	340	331
85	79	48	305	245
229	446		1,261	934
10,737	10,136	49	10,136	10,737
Equity				
1,182	1,182		1,182	1,182
Accumulated value adjustments				
-	-		3	3
Other reserves				
30,727	35,869		-	(0)
32,555	31,878		31,878	32,555
3,203	3,203		4,849	4,849
17,702	16,181		50,401	46,780
4,380	4,650		4,650	4,380
89,750	92,964		92,964	89,750
-	-		114	112
3,751	3,751		3,751	3,729
93,501	96,715		96,829	93,591
1,590,464	1,492,504		1,600,129	1,673,473
OFF-BALANCE SHEET ITEMS				
-	-	50	8,393	8,987
8,615	11,323		23,986	23,087
8,615	11,323		32,379	32,074

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
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
2021										
Equity, 1 January	1,182	5	41,762	4,849	35,897	2,230	85,926	96	3,753	89,774
Profit for the year	-	-	-	-	1,692	6,980	8,672	45	153	8,870
Total other comprehensive income	-	2	-	-	(21)	-	(19)	-	-	(19)
Total comprehensive income	-	2	-	-	1,671	6,980	8,653	45	153	8,852
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	(153)	(153)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	1	-	1	-	(1)	-
Net transaction costs in connection with issuance of Additional Tier 1 capital instruments	-	-	-	-	(1)	-	(1)	-	-	(1)
Distributed dividend and adjustments	-	-	-	-	-	(2,230)	(2,230)	-	-	(2,230)
Distributed extraordinary dividend	-	-	-	-	-	(2,600)	(2,600)	(29)	-	(2,629)
Realised from the sale of properties	-	(4)	-	-	4	-	-	-	-	-
Adjustment pursuant to capital adequacy rules	-	-	(9,207)	-	9,207	-	-	-	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	2	-	2	-	-	2
Change in own portfolio	-	-	-	-	-	-	-	-	(22)	(22)
Other movements	-	-	-	-	(2)	-	(2)	-	-	(2)
Equity 31 December	1,182	3	32,555	4,849	46,780	4,380	89,750	112	3,729	93,591

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 1,646 million in Totalkredit A/S and DKK 3,203 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 rate 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
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
2021									
Equity, 1 January	1,182	3,203	25,730	41,762	11,819	2,230	85,926	3,753	89,678
Profit (loss) for the year	-	-	5,339	-	(3,647)	6,980	8,672	153	8,825
Total other comprehensive income	-	-	2	-	(21)	-	(19)	-	(19)
Total comprehensive income	-	-	5,341	-	(3,668)	6,980	8,653	153	8,807
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	(153)	(153)
Net transaction costs in connection with issuance of Additional Tier 1 capital instruments	-	-	-	-	(1)	-	(1)	-	(1)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	1	-	1	(1)	-
Distributed ordinary dividend	-	-	-	-	-	(2,230)	(2,230)	-	(2,230)
Distributed extraordinary dividend	-	-	-	-	-	(2,600)	(2,600)	-	(2,600)
Dividend from associates	-	-	(0)	-	0	-	-	-	-
Dividend from Group enterprises	-	-	(342)	-	342	-	-	-	-
Adjustment pursuant to capital adequacy rules	-	-	-	(9,207)	9,207	-	-	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	2	-	2	-	2
Other reserves transferred to retained earnings	-	-	(2)	-	-	-	(2)	-	(2)
Equity 31 December	1,182	3,203	30,727	32,555	17,702	4,380	89,750	3,751	93,501

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 502 was distributed in 2021 (2021: DKK 409).

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 2022 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 4.650 million be distributed.

CASH FLOW STATEMENT

DKK million

Nykredit Realkredit Group	2022	2021
Profit for the year	9,454	8,870
Adjustments		
Net interest income	(12,203)	(11,291)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	499	444
Profit from investments in associates	(9)	(7)
Impairment charges for loans, advances and receivables etc	(80)	(348)
Prepayments/deferred income, net	15	157
Tax on profit for the year	2,060	1,863
Other adjustments	(2,167)	(2,336)
Total	(2,432)	(2,649)
Change in operating capital		
Loans, advances and other receivables	90,956	(48,557)
Deposits and payables to credit institutions	26,515	2,394
Bonds in issue	(106,707)	3,841
Other operating capital	6,911	3,625
Total	15,244	(41,346)
Interest income received	28,596	24,620
Interest expenses paid	(14,514)	(13,137)
Corporation tax paid, net	(1,328)	(1,940)
Cash flows from operating activities	27,998	(31,804)
Cash flows from investing activities		
Acquisition of associates	(14)	(0)
Sale of associates	4	-
Dividend received from associates	8	7
Purchase and sale of bonds and equities, net	(6,213)	22,852
Purchase of intangible assets	(147)	(146)
Sale of intangible assets	3	-
Purchase of property, plant and equipment	(64)	(81)
Sale of property, plant and equipment	8	40
Total	(6,415)	22,672
Cash flows from financing activities		
Issuance of subordinated debt instruments	5,946	4,436
Redemption of subordinated debt	(5,951)	(4,488)
Distributed dividend	(5,980)	(4,858)
Purchase and sale of self-issued subordinated debt instruments	-	3
Payment of lease liabilities	(170)	(162)
Total	(6,155)	(5,069)
Total cash flows for the year	15,429	(14,201)
Cash and cash equivalents, beginning of year	45,294	59,361
Foreign currency translation adjustment of cash	519	134
Total cash flows for the year	15,429	(14,201)
Cash and cash equivalents, year-end	61,242	45,294
Cash and cash equivalents, year-end:		
Cash balances and demand deposits with central banks	49,659	40,129
Receivables from credit institutions and central banks	11,582	5,165
Total	61,242	45,294

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Nykredit Realkredit Group

1. Accounting policies

GENERAL

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

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

SPECIAL CIRCUMSTANCES IN 2022

Geopolitical conditions and covid-19

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

Interest rate benchmark reform

In 2022 the Group companies continued their implementation of new interest rate benchmarks. This work has not significantly affected the Financial Statements of the Parent or the Group.

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

Change in the balance sheet format:

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

New or amended standards:

In 2022 a number of minor amendments have been implemented to IFRS 3, IAS 16, IAS 37 as well as annual improvements 2018-2022. Such implementation has not impacted the financial reporting.

Other general comments on accounting policies

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

Apart from the above, the Group's accounting policies are unchanged compared with the Annual Report for 2021.

REPORTING STANDARDS AND INTERPRETATIONS NOT YET IN FORCE

At the time of presentation of the Annual Report, a number of new or amended standards and interpretations had not yet entered into force and/or had not been approved for use in the EU for the financial year beginning on 1 January 2022:

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

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

The above is not expected to significantly impact Nykredit's financial reporting.

FINANCIAL INSTRUMENTS

Recognition, classification and measurement

Financial instruments, including loans, advances and receivables, bonds in issue and other debt as well as derivative financial instruments represent more than 95% of the Group's assets as well as debt (95% at end-2021).

Recognition of financial instruments

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

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

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, and the Group has transferred all risks and returns related to ownership in all material respects. Financial liabilities are derecognised when, and only when, they are extinguished.

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Nykredit Realkredit Group

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 2021 and 2022.
- Other financial assets are measured at fair value through profit or loss. These include assets managed on a fair value basis or held in the trading book, or assets which have contractual cash flows that are not solely payments of principal and interest on the amount outstanding, including derivative financial instruments. It is also possible to measure financial assets at fair value with value adjustment through profit or loss, when such measurement significantly reduces or eliminates an accounting mismatch that would otherwise have occurred on measurement of assets and liabilities or recognition of losses and gains on different bases.

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

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

The Group's financial assets and business models are continuously reviewed (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. Some product types are subject to daily interest rate adjustment, but with an interest rate fixing based on a longer time horizon. However, this is not assessed to significantly postpone the time value of the money in the current interest rate environment.

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

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 financial 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.

If the interest rate risk of fixed-rate financial instruments is effectively hedged using derivative financial instruments, amortised cost is adjusted by the fair value change of the hedged interest rate risk.

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

A financial asset or a financial liability belongs in this category

- if the asset is not held within a business model whose objective is to hold assets to collect cash flows representing payments of principal and interest and which has limited sales activity
- if measurement of the asset or liability at amortised cost would result in a measurement mismatch, and the fair value option is elected
- equity instruments are not based on cash flows which comprise payments of principal and interest. Therefore, these instruments are measured at fair value with value adjustment through profit or loss
- derivative financial instruments (derivatives), which are assets or liabilities, are always measured at fair value through profit or loss.

Mortgage loans are measured at fair value through profit or loss. The same applies to the 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.

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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.

Measurement at fair value should also be viewed in light of the Group on a current basis buying and selling self-issued covered bonds, which constitute a significant part of the Danish money market.

If mortgage loans and covered bonds in issue were measured at amortised cost, the purchase and sale of self-issued covered bonds would lead to a timing difference (mismatch) between the recognition of gains and losses in the Financial Statements. This can be avoided if loans and issues are measured at fair value.

Market value changes of mortgage lending funded by covered bonds are recognised in the income statement as "Value adjustments" and "Impairment charges for loans and advances" if the value adjustments are related to changes in the credit quality of the loans.

Financial assets in 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. Therefore, these assets are measured at fair value through profit or loss. To avoid an accounting mismatch, the underlying deposits in pooled schemes are also measured at fair value.

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.

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

Please also refer to "Information about fair value" in note 52, 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.

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

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

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

Generally, three scenarios apply:

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

The main scenario carries a 55% weighting (2021: 55%). The scenario implies expected GDP growth of 0.2% and house price declines of 5.6% in 2023. The adverse scenario was included in the models with a weighting of 40% (2021: 35%). This scenario implies expected GDP decline of 0.6% and house price decreases of 7.6% in 2023.

The improved scenario carries a 5% weighting and is based on the macroeconomic conditions observed at the date of this Annual Report. This scenario uses realised levels of interest rates, GDP, house prices and unemployment.

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

Based on these weights, total impairment provisions came to DKK 9.4 billion (end-2021: DKK 9.6 billion) inclusive of the effect of stage 3 impairments, see below.

Stage 3 impairment

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

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

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

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

Furthermore, model-based impairments are subject to a number of management judgements 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 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.

NOTES

Nykredit Realkredit Group

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 for receivables with credit institutions, loans, advances, and receivables etc 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.

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

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

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

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

For mortgage loans granted via Totalkredit, a set-off agreement also applies. Where a partner bank under this agreement is obliged to cover part of a loss incurred, Totalkredit will be entitled to set off an equivalent amount against future commission payments to the partner bank. Compensation from the partner bank is included under impairment charges for loans, advances and receivables etc and shown separately in the note disclosures.

RECOGNITION, MEASUREMENT AND PRESENTATION IN GENERAL

Recognition and measurement

Assets and liabilities, which are financial instruments, are recognised when the Group companies become a party to the contractual provisions of the instruments, see "Financial instruments".

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

Other liabilities are recognised in the balance sheet if it is probable 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 arising from those leases. The asset is depreciated over the course of its useful life, and the lease liability will be reduced by the principal amount, which is determined as the lease payments less the interest portion of the lease liability.

The lease term used to determine the rental obligation corresponds to the period in which Nykredit as lessee has the right to, and expects to, use the underlying assets. The assessment is made at portfolio basis with a rental period of 7 years on average for leases which have not been terminated. For leases which have been terminated or are expected to be terminated, the period is about 1-2 years.

In cases where Nykredit occupies the premises for a short period (less than 12 months) after expiry of the initial lease term for accounting purposes, a new capitalisation period will not be calculated as the rental expense is recognised as administration costs.

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".

NOTES

Nykredit Realkredit Group

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".

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

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, interest rate risk hedging (hedge accounting) remains subject 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 57 on "Hedge accounting".

Offsetting

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

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

Currency

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

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

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

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

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

CONSOLIDATION

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

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

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

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Nykredit Realkredit Group

Business combinations

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

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

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

SEGMENT INFORMATION AND PRESENTATION OF FINANCIAL HIGHLIGHTS

Segment information is provided for business areas, and income and assets relating to foreign activities are specified. Apart from activities related to Sparinvest SE, Luxembourg, Nykredit has few business activities 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.

INCOME STATEMENT

Interest income and expenses etc

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

Interest income comprises interest from interest-bearing items, including interest-bearing financial instruments and administration margin income from mortgage lending measured at fair value. 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.

The item also includes interest payable or deductible relating to voluntary payment of tax on account and paid tax as well as index premiums on assets, forward premiums on securities and foreign exchange trades as well as adjustments over the life of financial assets measured at amortised cost and where the cost differs from the redemption price.

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

Interest income from loans and advances measured at amortised cost for which stage 3 impairment is made is included in "Interest income" at an amount reflecting the effective interest from the impaired value of loans and advances. Any interest income from the underlying loans and advances exceeding this amount is included in "Impairment charges for loans, advances and receivables".

Interest expenses comprise all interest-like expenses including adjustment over the life of financial liabilities measured at amortised cost and where the cost differs from the redemption price. Interest expenses also comprise transaction costs etc which are part of the effective interest of the underlying instruments if they are measured at amortised cost.

Negative interest

Negative interest income is recognised in "Interest expenses", and negative interest expenses are recognised in "Interest income". Negative interest is specified in the notes of the relevant items.

Dividend

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

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Nykredit Realkredit Group

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

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

Other operating income

"Other operating income" comprises operating income not attributable to other income statement items, including lease income, contributions from Forenet Kredit, goodwill as well as gain on the sale of investment and owner-occupied properties.

Value adjustments

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

Staff and administrative expenses

Staff expenses comprise wages and salaries as well as social security costs, pensions etc. Termination benefits etc are recognised during the vesting period.

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

Other operating expenses

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

Tax

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

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

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

Loans, advances and other financial assets

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

Assets and liabilities in pooled schemes

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

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

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

Investments in associates

Investments in associates include enterprises that the Nykredit 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.

Investments in associates are recognised and measured according to the equity method and are therefore measured at the proportional ownership interest of the enterprises' equity value determined in accordance with the Group's accounting policies less/plus the proportionate share of unrealised intercompany gains and losses plus goodwill. The proportionate share of associates' profit or loss after tax is recognised in the consolidated income statement.

NOTES

Nykredit Realkredit Group

Intangible assets**Goodwill**

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

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

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

Goodwill impairment is reported in the income statement and is not reversed. Impairment testing and the assumptions used for testing are described in note 31.

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.

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 objective evidence of impairment (OEI) 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 33.

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".

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Nykredit Realkredit Group

Assets in temporary possession

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

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

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

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

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

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

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

LIABILITIES AND EQUITY

Payables

Payables relating to financial instruments are described in "Recognition, classification and measurement of financial instruments".

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 plans according to which the Group makes fixed contributions to staff pension plans on a current basis. The Group is under no obligation to make further contributions. The contributions to defined contribution plans are recognised in the income statement for the period concerned, and any contributions payable are recognised in "Other payables" in the balance sheet.
- Defined benefit plans under which the Group is obliged to pay certain benefits in connection with retirement. An annual actuarial calculation of the value in use of future benefits payable under the plans is performed.

The net carrying value of assets relating to defined benefit plans is recognised in the balance sheet in "Other assets" or "Other liabilities". Actuarial gains and losses are recognised in "Other comprehensive income" in the year in which they arose.

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.

Provisions for losses under guarantees etc

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

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.

Nykredit has raised subordinated debt in the form of bonds in issue which are subject to permanent write-down through profit or loss if Nykredit's Common Equity Tier 1 capital ratio drops to 7% or less. Until this level is reached, Nykredit is obliged to pay interest to bondholders.

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.

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Nykredit Realkredit Group

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.

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

ACCOUNTING POLICIES APPLYING SPECIFICALLY TO THE PARENT

NYKREDIT A/S

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

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

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

Relative to the "Accounting policies" in the Financial Statements for 2021, no amendments to the Danish Executive Order on Financial Reports have been adopted in 2022 which affect our accounting policies.

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. In addition, the item contains other operating income not attributable to other income statement items, including income relating to gains on the sale of investment and owner-occupied properties as well as other non-current assets.

Investments in Group enterprises etc

Investments in Group enterprises (subsidiaries) are recognised and measured according to the equity method.

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

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

The non-distributable reserve fund concerns the reserves of Totalkredit A/S and Nykredit Realkredit A/S (formerly LR Realkredit A/S).

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Nykredit Realkredit Group

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 Report for 2020 and 2021 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 2022, the following items of the Consolidated Financial Statements have iXBRL tags reflecting the ESEF taxonomy, issued by the European Securities and Markets Authority (ESMA):

- Items in income statement and other comprehensive income
- Items in balance sheet
- Statement of changes in equity
- Cash flow statement
- Notes of the financial statements (block tagging)
(Notes of the Financial Statements were not tagged in the Annual Report for 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-2022-12-31.

2. SIGNIFICANT ACCOUNTING ASSESSMENTS

When providing accounting policies, Management makes a number of assessments that may affect the Financial Statements. Significant assessments include:

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

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

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

Valuation of goodwill and customer rights

Goodwill is tested for impairment once a year. The test involves the use of judgements used to determine estimates and cash flows from the cash generating unit to which goodwill is allocated. To this should be added determination of the discount rate and assessment of market trends. At 31 December 2022, goodwill accounted for 0.1% of the balance sheet (2021: 0.1%). Covid-19 and geopolitical challenges have not given rise to impairment. Reference is made to note 32.

The value of capitalised customer rights is relatively low, and no impairment need and/or change in the amortisation profile have been identified in 2022. The asset accounted for 0.01% of the total balance sheet (2021: 0.01%).

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 52 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 1.1% of the Group's assets at end-2022 (1.0% at end-2021).

Measured on the basis of level 2 or level 3 inputs of the fair value hierarchy, the fair value of financial assets and liabilities was 92.0% and 0.3%, respectively, of the Group's balance sheet total at end-2022 for financial assets (87.6% and 0.3% at end-2021), and 1.1% and 0.0%, respectively, for financial liabilities (1.0% and 0.0% at end-2021).

The fair value of financial instruments for which no listed prices in an active market are available accounted for 92% of the Group's assets at end-2022 (88% at end-2021).

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Nykredit Realkredit Group

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 4,073 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 56, 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.

Covid-19

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

packages is now considered the primary risk driver in the assessment of the pandemic.

Calculation and choice of methodology: Provisions for covid-19-induced losses are based on stress test calculations of two different factors. Firstly, stress simulations have been performed for stage 1 and stage 2 customers in high-attention sectors. Secondly, the property values of stage 3 customers have been stressed to simulate a reduction in collateral values. At stage 3 we have raised the probability of an adverse scenario for customers in high-attention sectors. Furthermore, the macroeconomic scenarios in our impairment model for stage 1 and stage 2 customers have been prepared to allow for the covid-19 impact.

Of total loan impairment provisions of DKK 2.1 billion taken in 2020 to cover the consequential losses arising from covid-19, Nykredit has now reversed DKK 1.6 billion. Reasons for this reversal include reduced pandemic-related risk. Covid-19-induced provisions comprised DKK 349 million related to property values and DKK 191 million related to exposed sectors. These provisions totalled DKK 540 million at end-year.

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

Geopolitical conditions, including the war in Ukraine

The geopolitical conditions and the global economies are challenged by, for instance, the war in Ukraine. 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, including gas supplies.

Calculation and choice of methodology: Provisions related to the geopolitical conditions are based on stress test calculations of two factors. Firstly, stress simulations have been performed for stage 1 and stage 2 personal and business customers. We expect a growing number of personal loan defaults as a consequence of increased inflation and higher energy prices. Provisions of DKK 765 million have been made to mitigate such risk.

Business customers heavily reliant on energy for production and manufacturing are also likely to be affected. We have taken provisions of DKK 1,115 million for exposed sectors, total provisions of DKK 1,880 million have been made to manage such risks.

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

Concentration risks

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

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

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

Nykredit Realkredit Group

Process-related risk (data)

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

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

This applies to the 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. Provisions based on management judgement have been made which will be regularly quantified and updated in the impairment models.

Model changes

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

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

This applies to the Nykredit 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 To-talkredit 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		
2021	2022		2022	2021
4. CAPITAL AND CAPITAL ADEQUACY				
93,501	96,715	Equity for accounting purposes	96,829	93,591
-	-	Minority interests not included	(114)	(112)
(3,751)	(3,751)	Carrying amount of Additional Tier 1 capital recognised in equity	(3,751)	(3,729)
89,750	92,964	Equity excluding Additional Tier 1 capital and minority interests	92,964	89,750
(4,380)	(4,650)	Proposed dividend	(4,650)	(4,380)
(23)	(38)	Prudent valuation adjustment	(71)	(75)
-	-	Minority interests	62	51
(97)	(180)	Intangible assets excluding deferred tax liabilities	(2,057)	(2,032)
(320)	(242)	Other regulatory adjustments	(242)	(320)
-	(81)	Deduction for non-performing exposures	(209)	(34)
(4,820)	(5,190)	Common Equity Tier 1 regulatory deductions	(7,167)	(6,791)
84,930	87,773	Common Equity Tier 1 capital	85,797	82,959
3,696	3,643	Additional Tier 1 capital	3,654	3,706
-	-	Additional Tier 1 regulatory deductions	(4)	(21)
3,696	3,643	Total Additional Tier 1 capital after regulatory deductions	3,649	3,685
88,626	91,416	Tier 1 capital	89,446	86,644
10,766	10,710	Tier 2 capital	10,723	10,777
1,876	1,952	Tier 2 regulatory adjustments	2,104	2,049
101,268	104,078	Own funds	102,273	99,471
522,958	522,258	Credit risk	366,083	350,326
11,587	25,871	Market risk	42,443	24,075
12,672	14,161	Operational risk	29,738	27,244
547,218	562,290	Total risk exposure amount	438,263	401,644
Financial ratios				
15.5	15.6	Common Equity Tier 1 capital ratio, %	19.5	20.6
16.1	16.2	Tier 1 capital ratio, %	20.4	21.5
18.5	18.5	Total capital ratio, %	23.3	24.7

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 with Common Equity Tier 1 capital. The countercyclical buffer is currently 2%.

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**

	2022 ²	2023	2024	2025
Baseline scenario				
Property prices, growth	1.2%	(5.6)%	(1.5)%	3.2%
Interest rates ¹	1.1%	2.2%	2.5%	2.7%
Unemployment	4.4%	4.8%	4.9%	4.9%
GDP growth	2.8%	0.2%	1.5%	1.7%
Weaker economic climate (scenario applied under Pillar II)				
Property prices, growth	1.2%	(5.6)%	(1.5)%	3.2%
Interest rates ¹	1.1%	2.2%	2.5%	2.7%
Unemployment	4.4%	4.8%	4.9%	4.9%
GDP growth	2.8%	0.2%	1.5%	1.7%
Severe recession (scenario applied for capital policy)				
Property prices, growth	1.2%	(12.0)%	(10.0)%	(5.0)%
Interest rates ¹	1.1%	0.7%	0.8%	0.8%
Unemployment	4.4%	6.4%	8.1%	8.7%
GDP growth	2.8%	(3.0)%	(2.0)%	0.0%

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

² 2022 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 scenario with the harder impact of the two or, if more severe, the current risk scenario such as during covid-19 or an inflation scenario. This stress scenario is currently considered our the baseline scenario, as a weaker economic climate is deemed probable in the current and the next year.

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 growing inflationary pressures in 2022 and consequent monetary policy tightening, risk scenarios with rising 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 2021. 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 2022, 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 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.

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 586 million (2021: DKK 583 million). The international loan portfolio totalled DKK 73 billion at end-2022 (2021: DKK 72 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 2021									
Results by business area									
Net interest income	1,928	2,683	4,611	2,054	6,664	3,118	201	(6)	9,978
Net fee income	769	459	1,228	529	1,757	620	41	(12)	2,406
Wealth management income	474	137	611	192	802	-	1,504	17	2,324
Net interest from capitalisation	(75)	(116)	(191)	(140)	(331)	(259)	(11)	117	(484)
Net income relating to customer benefits programmes ¹	-	-	-	-	-	-	-	(414)	(414)
Trading, investment portfolio and other income	25	149	174	430	604	(3)	44	2,073	2,718
Income*	3,120	3,312	6,432	3,065	9,497	3,476	1,780	1,776	16,529
Costs	2,331	1,211	3,543	772	4,314	773	902	353	6,343
Business profit before impairment charges	789	2,100	2,889	2,293	5,183	2,703	878	1,423	10,186
Impairment charges for loans and advances	69	(3)	65	(184)	(118)	66	(64)	1	(115)
Business profit	720	2,104	2,824	2,477	5,301	2,637	942	1,422	10,302
Legacy derivatives	38	172	211	221	431	-	0	-	432
Profit before tax	759	2,276	3,035	2,698	5,732	2,637	943	1,422	10,733
*Of which transactions between the business areas	544	157	701	(65)	637	(62)	(565)	(10)	-
Average allocated business capital	6,028	15,332	21,360	16,477	37,837	18,986	1,276	6,790	64,889
Business profit as % of average business capital ²	11.9	13.7	13.2	15.0	14.0	13.9	73.8		15.9
BALANCE SHEET									
Assets									
Mortgage loans etc at fair value	168,844	218,245	387,090	262,429	649,518	720,558	12,475	-	1,382,551
Reverse repurchase lending								50,900	50,900
Loans and advances at amortised cost	11,238	25,954	37,192	32,949	70,141	-	4,310	63	74,513
Assets by business area	180,082	244,199	424,282	295,378	719,659	720,558	16,784	50,962	1,507,964
Unallocated assets									165,509
Total assets									1,673,473
Liabilities and equity									
Repo deposits								7,379	7,379
Bank deposits and other payables at amortised cost	39,814	25,832	65,645	9,782	75,428	-	14,453	2,803	92,683
Liabilities by business area	39,814	25,832	65,645	9,782	75,428	-	14,453	10,182	100,063
Unallocated liabilities									1,479,820
Equity									93,591
Total liabilities and equity									1,673,473

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	2022			2021		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	10,871	1,332	12,203	9,978	1,313	11,291
Dividend on equities etc		191	191		149	149
Fee and commission income, net	3,119	(3,030)	88	2,406	(2,232)	175
Net interest and fee income		(1,507)	12,483		(770)	11,615
Wealth management income	2,279	(2,279)	-	2,324	(2,324)	-
Net interest from capitalisation	(740)	740	-	(484)	484	-
Net income relating to customer benefits programmes	(443)	443	-	(414)	414	-
Trading, investment portfolio and other income	1,736	(1,736)	-	2,718	(2,718)	-
Value adjustments		3,680	3,680		3,573	3,573
Other operating income		1,582	1,582		1,765	1,765
Income	16,822			16,529		
Costs	6,320	0	6,320	6,343	(1)	6,341
Business profit before impairment charges	10,503			10,186		
Impairment charges for loans and advances etc	(80)	0	(80)	(115)	(0)	(115)
Profit from investments in associates and Group enterprises		9	9		7	7
Business profit	10,583			10,302		
Legacy derivatives	931	(931)	-	432	(432)	-
Profit (loss) before tax	11,514	(0)	11,514	10,733	0	10,734

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	2022	2021
7. FEE AND COMMISSION INCOME		
Revenue from contracts with customers (IFRS 15) by business area		
Retail	745	662
Corporates & Institutions	339	344
Total Banking	1,084	1,006
Totalkredit Partners	1,051	638
Wealth Management	2,328	2,325
Group Items	192	286
Total	4,655	4,254
Total including income from financial guarantees	4,713	4,303

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

2022	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	(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					
2021						
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	(18)	109	(127)	-	-	(127)
Lending and deposits	1,952	(255)	2,207	-	6	2,214
Repo transactions and reverse repurchase lending	(193)	(54)	(139)	-	-	(139)
Bonds	(3)	-	(3)	-	-	(3)
Subordinated debt	-	282	(282)	-	-	(282)
Other financial instruments	113	96	17	-	-	17
Total	1,851	178	1,673	-	6	1,679
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue ¹	21,542	11,967	9,574	-	164	9,739
- of which administration margin income	9,610	-	9,610	-	-	9,610
Bonds	194	-	194	-	(8)	186
Equities etc	-	-	-	149	1,997	2,146
Derivative financial instruments	(150)	-	(150)	-	1,249	1,098
Total	21,585	11,967	9,618	149	3,402	13,169
Foreign currency translation adjustment					165	165
Net interest income etc and value adjustments	23,436	12,145	11,291	149	3,573	15,013
Negative interest income	635	635	-			
Positive interest expenses	871	871	-			
Total	24,942	13,651	11,291			
KundeKroner and ErhvervsKroner discounts are offset against interest income and for the period amounted to	1,539					

¹ Recognised at fair value under the fair value option.

NOTES

		DKK million		
Nykredit Realkredit A/S		Nykredit Realkredit Group		
2021	2022		2022	2021
		9. Interest income		
74	237	Receivables from credit institutions and central banks	(4)	(51)
11,771	15,479	Loans, advances and other receivables	18,095	13,723
3,680	3,669	Administration margin income	9,774	9,610
		Bonds		
116	229	- self-issued covered bonds (SDOs, ROs)	196	119
87	226	- other covered bonds	437	76
10	1	- government bonds	(7)	23
169	192	- other bonds	205	192
		Derivative financial instruments		
(6)	(15)	- foreign exchange contracts	78	41
198	3	- interest rate contracts and active contracts	(210)	(191)
317	417	Other interest income	125	113
16,416	20,439	Total	28,689	23,655
(214)	(360)	Set-off of interest from self-issued bonds – note 10	(329)	(219)
16,202	20,079	Total	28,359	23,436
300	157	Negative interest income	448	635
433	326	Positive interest expenses	554	871
16,935	20,563	Total interest income	29,361	24,942
-	-	Of which interest income based on the effective interest method	2,312	1,894
		Of which interest income from reverse repurchase lending entered as:		
(27)	10	Receivables from credit institutions and central banks	13	(32)
-	-	Loans, advances and other receivables	37	(161)
		Of total interest income:		
-	-	Interest income accrued on impaired financial assets measured at amortised cost	50	45
-	-	Interest income accrued on fixed-rate bank loans	55	64
-	-	Interest income from finance leases	148	133
		Interest income accrued on bank loans subject to stage 3 impairment totalled DKK 50 million (2021: DKK 45 million). Nykredit Bank A/S generally does not charge interest on 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		
24	76	Credit institutions and central banks	143	95
(7)	-	Deposits and other payables	(38)	(296)
12,130	15,984	Bonds in issue	16,052	12,186
282	285	Subordinated debt	285	282
59	57	Other interest expenses	42	96
12,489	16,403	Total	16,486	12,364
(214)	(360)	Set-off of interest from self-issued bonds – note 9	(329)	(219)
12,275	16,043	Total	16,156	12,145
433	326	Negative interest expenses	554	871
300	157	Negative interest income	448	635
13,008	16,527	Total interest expenses	17,158	13,651
4	4	Of which interest expenses relating to lease liabilities	9	9
		Of which interest expenses from repo transactions entered as:		
0	56	Credit institutions and central banks	61	(14)
(7)	-	Deposits and other payables	1	(41)

NOTES

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
DKK million			
11. DIVIDEND on equities etc			
145	185	191	149
145	185	191	149
12. FEE AND COMMISSION INCOME			
-	-	51	44
-	-	2,311	2,292
857	910	2,351	1,967
857	910	4,713	4,303
13. FEE AND COMMISSION EXPENSES			
-	0	84	116
-	-	262	263
408	529	4,279	3,750
408	529	4,625	4,129
14. VALUE ADJUSTMENTS			
Assets measured at fair value through profit or loss			
(8,427)	(42,065)	(170,757)	(37,392)
(28,897)	(128,551)	-	-
(21)	(4)	(2)	6
(288)	(3,091)	(2,959)	(8)
1,746	926	950	1,997
11	(36)	295	165
127	3,569	5,257	1,240
-	-	2	8
Liabilities measured at fair value through profit or loss			
8,591	42,202	170,894	37,556
28,897	128,551	-	-
1,740	1,500	3,680	3,573
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			
-	-	-	-
15. Other operating income			
225	300	1,450	1,300
-	2	62	102
1,257	1,481	70	363
1,481	1,783	1,582	1,765

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
16. STAFF AND ADMINISTRATIVE EXPENSES			
52	54	54	52
2,182	2,387	3,815	3,552
878	753	1,922	2,057
3,112	3,194	5,791	5,661
Remuneration of Board of Directors and Executive Board			
Board of Directors			
4	4	4	4
Executive Board			
42	43	43	42
6	6	6	6
52	54	54	52
Disclosure of Board and Executive Compensation is available at nykredit.com/salaries , to which reference is made.			

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
16. STAFF AND ADMINISTRATIVE EXPENSES (CONTINUED)			
Staff expenses			
1,693	1,859	2,997	2,796
194	206	319	299
275	301	468	428
19	20	31	29
2,182	2,387	3,815	3,552
111	104	189	183
<p>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:</p> <p>Details of Nykredit's remuneration policy appear from page 54 of the Management Commentary under Remuneration and at nykredit.com/remuneration.</p> <p>Remuneration of material risk takers is included in "Staff expenses" and breaks down into:</p>			
154	197	328	269
40	17	57	73
193	214	386	342
<p>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.</p> <p>Number of staff</p>			
2,660	2,772	4,076	3,907
Fees to auditor appointed by the General Meeting			
4	3	13	10
Total fees include:			
3	3	7	7
0	0	3	1
-	-	1	-
1	0	2	2
4	3	13	10

Other services than statutory audit include to statutory declarations, ISAE 3402 declarations, financial and tax due diligence as well as general tax advice.

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
17. DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS			
Intangible assets			
69	50	86	94
	-	-	
134	-	-	134
Property, plant and equipment			
47	53	56	56
-	-	0	0
-	-	-	(1)
Leased properties			
157	150	152	161
408	253	294	444
Total			

NOTES

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

	Loans and advances at fair value	Loans and advances at fair value	Loans and advances at amortised cost	Loans and advances at amortised cost	Credit institutions	Credit institutions	Guarantees etc ¹	Guarantees etc ¹	Total	Total
Total impairment provisions	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Beginning of year	6,515	6,652	2,755	3,012	24	22	331	241	9,625	9,928
New impairment provisions as a result of additions and change in credit risk	2,149	2,789	1,524	1,135	4	4	215	227	3,892	4,156
Releases as a result of redemptions and change in credit risk	2,626	2,700	1,155	1,313	9	3	206	137	3,996	4,152
Impairment provisions written off	118	222	27	115	-	-	0	-	145	336
Other adjustments and interest from impaired facilities	(0)	(2)	35	34	-	-	0	-	34	32
Transferred to "Impairment provisions for properties acquired by foreclosure"	0	2	-	-	-	-	-	-	0	2
Total impairment provisions, year-end	5,919	6,515	3,132	2,755	18	24	340	331	9,409	9,625
Earnings impact										
Change in impairment provisions for loans and advances (stages 1-3)	(477)	89	369	(177)	(5)	2	9	90	(104)	4
Write-offs for the year not previously written down for impairment	107	161	88	20	-	-	-	-	195	181
Recoveries on claims previously written off	(76)	(93)	(61)	(48)	-	-	-	-	(137)	(141)
Total	(447)	157	396	(205)	(5)	2	9	90	(47)	44
Value adjustment of assets in temporary possession	(1)	(2)	-	-	-	-	-	-	(1)	(2)
Value adjustment of claims previously written off	54	(38)	(3)	(3)	-	-	-	-	51	(41)
Losses offset, in accordance with partnership agreement ¹	(84)	(117)	-	-	-	-	-	-	(84)	(117)
Earnings impact	(477)	0	393	(208)	(5)	2	9	90	(80)	(115)

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 2022 and still sought to be recovered totalled DKK 241 million at 31 December 2022 (2021: DKK 355 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

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)

2021	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	1,751	2,241	2,661	450	584	2,001	70	104	67	9,928
Transfer to stage 1	921	(853)	(68)	277	(250)	(28)	43	(37)	(6)	-
Transfer to stage 2	(66)	348	(282)	(88)	301	(213)	(6)	12	(6)	-
Transfer to stage 3	(11)	(534)	545	(3)	(61)	64	(1)	(11)	12	-
Impairment provisions for new loans and advances (additions)	268	340	217	92	176	88	22	38	14	1,255
Additions as a result of change in credit risk	277	817	870	57	348	378	11	102	40	2,901
Releases as a result of change in credit risk	1,493	538	669	406	289	620	70	39	28	4,152
Previously written down for impairment, now written off	-	-	224	0	0	115	-	-	-	339
Other adjustments and interest from impaired facilities	-	-	(2)	-	-	34	-	-	-	32
Total impairment provisions, year-end	1,646	1,822	3,047	378	809	1,591	69	169	94	9,625
Total, year-end		6,515			2,778			331		9,625
Impairment provisions, year-end, are moreover attributable to:										
Credit institutions				24	-	-				24
Earnings impact, 2021	(948)	620	418	(258)	235	(153)	(37)	101	26	4

The principles of impairment are described in detail in the accounting policies (note 1) of the Annual Report for 2022.

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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

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
2021				
	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value, gross				
Loans and advances at fair value, gross	1,332,016	37,192	20,110	1,389,319
Total impairment provisions, year-end	1,646	1,822	3,047	6,515
Value, year-end	1,330,370	35,371	17,063	1,382,803
Loans and advances at amortised cost excluding credit institutions, gross				
Loans and advances at amortised cost excluding credit institutions, gross	111,845	14,366	2,340	128,551
Total impairment provisions, year-end	354	809	1,591	2,755
Value, year-end	111,491	13,557	748	125,796
Guarantees etc				
Guarantees etc	32,451	2,505	391	35,347
Total impairment provisions, year-end	69	169	94	331
Value, year-end	32,382	2,336	297	35,016

Guarantees etc: Comparative figures have been adjusted and now also include bank loan commitments.

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DKK million

Nykkredit Realkredit Group

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

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

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
2021				
	Stage 1	Stage 2	Stage 3	Total
Gross lending etc, 1 January 2021	1,291,075	52,110	14,392	1,357,577
Transfer to stage 1	28,100	(27,610)	(490)	-
Transfer to stage 2	(18,443)	18,984	(541)	-
Transfer to stage 3	(3,067)	(3,891)	6,958	-
Other movements ¹	34,351	(2,401)	(209)	31,741
Total, 31 December 2021	1,332,016	37,192	20,110	1,389,319
Total provisions	1,646	1,822	3,047	6,515
Carrying amount	1,330,370	35,371	17,063	1,382,804

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

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
2021				
	Stage 1	Stage 2	Stage 3	Total
Gross lending etc, 1 January 2021	96,628	12,201	2,951	111,781
Transfer to stage 1	7,989	(7,859)	(131)	-
Transfer to stage 2	(9,334)	9,504	(170)	-
Transfer to stage 3	(159)	(196)	355	-
Other movements ¹	16,720	716	(665)	16,771
Total, 31 December 2021	111,845	14,366	2,340	128,551
Total provisions	354	809	1,591	2,755
Carrying amount	111,491	13,557	749	125,796

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

2022	Stage 1	Stage 2	Stage 3	Total
Guarantees etc, gross, 1 January 2022	6,422	2,505	391	9,318
Transfer to stage 1	656	(648)	(8)	-
Transfer to stage 2	(956)	977	(21)	-
Transfer to stage 3	(50)	(45)	96	-
Other movements ¹	(458)	(44)	(82)	(584)
Total, 31 December 2022	5,613	2,744	375	8,734
Total provisions	75	190	75	340
Carrying amount	5,538	2,554	300	8,393
2021				
	Stage 1	Stage 2	Stage 3	Total
Guarantees etc, gross, 1 January 2021	5,855	3,275	231	9,362
Transfer to stage 1	1,329	(1,318)	(11)	-
Transfer to stage 2	(837)	871	(34)	-
Transfer to stage 3	(70)	(79)	150	-
Other movements ¹	145	(245)	56	(44)
Total, 31 December 2021	6,422	2,505	391	9,318
Total provisions	69	169	94	331
Carrying amount	6,353	2,336	297	8,986

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

2022	Financial assets, gross				of which financial assets excluding 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	5,613	2,744	375	8,733	-	-	-	-
Bank loan commitments	20,323	-	-	20,323	-	-	-	-
Mortgage loan commitments	10,081	-	-	10,081	10,081	-	-	10,081
Total, 31 December 2022	1,406,393	53,466	17,429	1,477,288	56,212	-	-	56,212

2021	Financial assets, gross				of which financial assets excluding impairment			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets at fair value	1,332,016	37,192	20,110	1,389,319	-	-	-	-
Financial assets at amortised cost	111,845	14,366	2,340	128,551	50,900	-	-	50,900
Balances with credit institutions	5,165	-	-	5,165	1,370	-	-	1,370
Guarantees	6,424	2,505	391	9,320	-	-	-	-
Bank loan commitments	26,028	-	-	26,028	-	-	-	-
Mortgage loan commitments	8,631	-	-	8,631	8,631	-	-	8,631
Total, 31 December 2021	1,490,110	54,062	22,841	1,567,014	60,901	-	-	60,901

Financial assets excluding impairment relating to secured 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

2022	Mortgage lending, gross			Total impairment provisions		
	Rating category	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2
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

2021	Mortgage lending, gross			Total impairment provisions		
	Rating category	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2
10	369,487	1,021	-	289	27	-
9	319,897	2,303	-	303	44	-
8	264,198	1,974	-	282	70	-
7	190,626	2,000	-	261	76	-
6	98,642	2,163	-	186	80	-
5	43,889	4,889	-	145	171	-
4	33,415	6,641	-	138	286	-
3	8,074	3,527	-	30	134	-
2	2,766	5,326	-	10	232	-
1	1,023	4,422	-	2	328	-
0	-	2,044	-	-	309	-
Exposures in default	-	881	20,110	-	64	3,047
Total	1,332,016	37,192	20,110	1,646	1,822	3,047

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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

2022 Rating category	Bank loans and advances, gross			Total impairment provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
10	26,064	4,917	-	70	39	-
9	21,107	2,734	-	51	72	-
8	10,288	750	-	57	42	-
7	10,554	1,483	-	49	45	-
6	20,940	2,189	-	61	110	-
5	10,234	1,572	-	60	142	-
4	1,243	1,023	-	15	150	-
3	7,548	659	-	11	58	-
2	214	331	-	3	49	-
1	241	867	-	1	108	-
0	-	338	-	-	96	-
Exposures in default	-	5	2,859	-	1	1,837
Total	108,433	16,867	2,859	380	914	1,837

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

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

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

2021	Mortgage lending			Total impairment provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Owner-occupied dwellings	851,021	21,609	7,496	654	1,008	1,070
Private rental	120,656	4,983	1,695	213	275	271
Industry and trades	22,188	515	200	28	26	33
Office and retail	123,185	5,949	2,806	167	211	452
Agricultural property	78,718	2,107	5,841	489	126	897
Public housing	84,628	362	217	1	5	18
Cooperative housing	34,016	599	1,399	67	61	218
Other	17,603	1,068	456	26	110	87
Fair value	1,332,016	37,192	20,110	1,646	1,822	3,047

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

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	-	-			

2021	Bank loans, advances and guarantees			Total impairment provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public sector	812	309	-	4	6	-
Agriculture, hunting, forestry and fishing	3,533	342	194	22	17	152
Manufacturing, mining and quarrying	10,622	1,121	272	53	57	152
Energy supply	5,371	125	12	15	7	10
Construction	2,291	392	241	13	16	174
Trade	3,487	6,632	287	24	349	282
Transport, accommodation and food service activities	5,976	607	85	26	39	79
Information and communication	2,297	95	68	13	7	63
Finance and insurance	55,986	401	82	24	10	57
Real estate	13,733	2,918	412	63	184	276
Other	8,802	1,207	252	56	57	200
Total business customers	112,097	13,840	1,906	308	745	1,445
Personal customers	24,597	2,722	442	112	227	241
Total	137,506	16,870	2,348	423	978	1,685
- of which intercompany guarantees	19,239	-	-			

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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
Total impairment provisions	2022	2021	2022	2021	2022	2021
Balance, 1 January	4,793	5,019	13	10	4,806	5,029
New impairment provisions as a result of additions and change in credit risk	1,290	1,836	-	3	1,290	1,839
Releases as a result of redemptions and change in credit risk	1,817	1,963	2	-	1,819	1,963
Impairment provisions written off	34	96	-	-	34	96
Other adjustments and interest from impaired facilities	(0)	(1)	-	-	(0)	(1)
Transferred to "Impairment provisions for properties acquired by foreclosure"	0	1	-	-	0	1
Total impairment provisions, year-end	4,232	4,793	11	13	4,243	4,806
Earnings impact						
Change in impairment provisions for loans and advances (stages 1-3)	(527)	(127)	(2)	3	(529)	(124)
Write-offs for the year, not previously written down for impairment	31	61	-	-	31	61
Recoveries on claims previously written off	(46)	(60)	-	-	(46)	(60)
Total	(542)	(126)	(2)	3	(544)	(123)
Value adjustment of assets in temporary possession	(0)	(4)	-	-	(0)	(4)
Value adjustment of claims previously written off	38	(30)	-	-	38	(30)
Earnings impact	(504)	(160)	(2)	3	(506)	(157)

The contractual amounts outstanding on financial assets written off in 2022 and still sought to be recovered totalled DKK 47 million at 31 December 2022 (2021: DKK 143 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

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)

2021	Loans and advances			Total
	Stage 1	Stage 2	Stage 3	
Total, 1 January 2021	1,221	1,459	2,350	5,029
Transfer to stage 1	673	(613)	(60)	-
Transfer to stage 2	(57)	310	(253)	-
Transfer to stage 3	(9)	(415)	424	-
Impairment provisions for new loans and advances (additions)	247	299	186	731
Additions as a result of change in credit risk	138	424	546	1,108
Releases as a result of change in credit risk	1,071	327	565	1,963
Previously written down for impairment, now written off	-	-	97	97
Other adjustments and interest from impaired facilities	-	-	(1)	(1)
Total impairment provisions, year-end	1,141	1,136	2,530	4,806
Impairment provisions, year-end, are moreover attributable to:				
Credit institutions	13	-	-	13
Earnings impact, 2021	(687)	396	167	(124)

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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

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
2021	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value etc, gross				
Loans and advances etc at fair value, gross	501,043	18,672	15,195	534,909
Total impairment provisions, year-end	1,128	1,136	2,530	4,793
Loans and advances, carrying amount	499,915	17,536	12,665	530,116

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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 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

	Stage 1	Stage 2	Stage 3	Total
Gross lending etc, 1 January 2021	496,347	32,144	12,397	540,888
Transfer to stage 1	18,822	(18,429)	(393)	-
Transfer to stage 2	(9,222)	9,492	(270)	-
Transfer to stage 3	(1,456)	(1,945)	3,401	-
Other movements ¹	(3,449)	(2,590)	60	(5,979)
Total, 31 December 2021	501,043	18,672	15,195	534,909
Total provisions	1,128	1,136	2,530	4,793
Carrying amount	499,915	17,536	12,665	530,116

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

NOTES

Nykredit Realkredit A/S		DKK million	
		Nykredit Realkredit Group	
2021	2022	2022	2021
		19. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (CONTINUED)	
		19 e. Impairment provisions for properties acquired by foreclosure	
28	18		
		21	31
1	0	0	2
12	0	0	15
16	0	1	17
7	1	3	10
18	18	18	21
		Impairment provisions for properties acquired by foreclosure have been offset against "Assets in temporary possession".	
		20. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES	
2	1	9	7
5,336	5,475	-	-
5,339	5,476	9	7
		21. TAX	
		19 a. Tax on profit for the year	
		Tax on profit for the year has been calculated as follows:	
742	573	1,814	1,925
(51)	207	198	(49)
10	1	5	15
(11)	1	(7)	(27)
-	43	50	-
690	824	2,060	1,863
		Tax on profit for the year can be specified as follows:	
2,093	2,248	2,533	2,361
		Tax effect of:	
(1,559)	(1,547)	(607)	(648)
156	79	85	163
(1)	2	(2)	(13)
-	43	50	-
690	824	2,060	1,863
22.0	22.0	22.0	22.0
14.8	13.9	4.1	4.6
7.2	8.1	17.9	17.4
		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	
		468	428

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DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
22. CONTRACTUAL DUE DATES BY TIME-TO-MATURITY			
22 a. Receivables from credit institutions and central banks			
Receivables from credit institutions and central banks			
8,372	3,451	3,477	3,993
3,355	6,625	8,106	1,172
2,755	1,092	-	-
18,971	14,278	-	-
7,577	7,577	-	-
41,032	33,024	11,582	5,165
22 a. Loans, advances and other receivables at fair value			
Mortgage loans, arrears and outlays as well as other loans and advances			
4,436	1,181	2,087	10,149
15,963	11,864	24,495	31,667
98,373	88,516	161,938	187,741
411,343	416,596	1,103,969	1,153,247
530,116	518,157	1,292,489	1,382,803
Loans to Totalkredit serving as collateral in capital centres			
579	-	-	-
211	-	-	-
790	-	-	-
Totalkredit mortgage loan funding			
46,386	33,252	-	-
59,421	65,004	-	-
306,423	336,236	-	-
490,401	377,085	-	-
902,631	811,577	-	-
22 a. Loans, advances and other receivables at amortised cost			
Loans, advances and other receivables at amortised cost			
-	-	36,768	5,912
2	1	55,862	62,719
7	5	13,803	14,106
45	35	15,694	33,243
197	169	2,902	9,815
252	208	125,028	125,796

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DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
22 a. Loans, advances and other receivables at amortised cost (continued)			
Finance leases			
-	- Up to 3 months	582	631
-	- Over 3 months and up to 1 year	1,242	1,307
-	- Over 1 year and up to 5 years	3,807	3,666
-	- Over 5 years	380	256
-	- Total	6,011	5,860
Where loans and advances under finance leases are concerned, amortised cost represents their fair value. The leases comprise equipment as well as real estate. The leases have been concluded on an arm's length basis. The term of the leases is generally 3 to 6 years, but may be up to 13 years for leased properties.			
Gross investments in finance leases			
-	- Up to 1 year	1,966	2,014
-	- Over 1 year and up to 5 years	4,168	3,878
-	- Over 5 years	805	625
-	- Total	6,939	6,518
-	- Non-earned income	928	657
22 a. Other assets			
Finance leases (other assets)			
-	- Up to 3 months	12	11
-	- Over 3 months and up to 1 year	37	33
-	- Over 1 year and up to 5 years	137	183
-	- Over 5 years	16	-
-	- Total, year-end	202	228
Gross investments in finance leases (other assets)			
-	- Up to 3 months	13	12
-	- Over 3 months and up to 1 year	40	35
-	- Over 1 year and up to 5 years	149	189
-	- Over 5 years	16	-
-	- Total, year-end	219	236

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DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
22. CONTRACTUAL DUE DATES BY TIME TO-MATURITY (CONTINUED)			
22 b. Payables to credit institutions and central banks			
Payables to credit institutions and central banks			
408	277	6,806	8,141
2,471	9,829	20,436	6,410
-	-	609	366
2,879	10,107	27,851	14,917
22 b. Deposits and other payables			
Deposits and other payables*			
-	-	98,766	85,878
-	-	13,004	5,838
-	-	1,026	1,675
-	-	387	5,300
-	-	473	1,384
-	-	113,657	100,076
* Comparative figures have been restated			
22 b. Bonds in issue at fair value			
Bonds in issue at fair value			
62,155	44,923	39,654	48,453
154,460	166,429	153,629	151,157
543,132	574,927	535,205	509,317
659,279	526,453	526,471	653,999
1,419,027	1,312,732	1,254,959	1,362,926
22 b. Bonds in issue at amortised cost			
Bonds in issue at amortised cost			
7,056	7,025	16,570	11,471
6,523	8,296	8,296	6,523
36,419	30,419	30,419	36,419
5,577	5,966	5,966	5,577
55,576	51,706	61,251	59,991
22 b. Other non-derivative financial liabilities at fair value			
Other non-derivative financial liabilities			
-	-	62	-
-	-	242	86
-	-	1,107	19
-	-	398	1,407
458	272	7,033	9,318
458	272	8,843	10,830

NOTES

		DKK million	
Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
22 b. Other liabilities (continued)			
The following lease payments (excluding finance leases) are recognised in "Other":			
160	102	104	160
218	123	127	222
378	224	231	382
22 b. Off-balance sheet items			
Contingent liabilities			
-	-	3,640	5,408
-	-	2,098	2,319
-	-	2,655	1,260
-	-	8,393	8,987

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
23. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS			
40,564	30,532	3,421	3,795
-	-	821	-
468	2,492	7,341	1,370
41,032	33,024	11,582	5,165
24. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE			
529,970	517,965	1,292,119	1,382,551
146	192	371	252
790	-	-	-
902,631	811,577	-	-
1,433,537	1,329,734	1,292,489	1,382,803
24 a. Mortgage loans			
523,062	525,274	1,391,076	1,321,486
65,220	93,887	405,828	290,012
1	493	493	1
(637)	(2,323)	(2,323)	(637)
(15,016)	(15,397)	(33,371)	(32,545)
(47,356)	(49,443)	(331,813)	(187,240)
525,274	552,492	1,429,891	1,391,076
9,390	(30,371)	(131,971)	(2,158)
Adjustment for credit risk			
(4,695)	(4,156)	(5,801)	(6,368)
529,970	517,965	1,292,119	1,382,551

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
24. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (CONTINUED)			
As collateral for loans and advances, Nykredit has received mortgages over real estate and:			
67,228	71,913	107,855	115,899
863	698	21,891	30,501
2,599	1,366	16,406	25,256
Mortgage loans at nominal value by property category:			
Loans and advances as %, year-end			
6	5	59	60
0	0	4	4
22	21	8	8
23	25	10	9
4	4	2	2
24	25	10	9
16	15	6	6
4	3	1	1
100	100	100	100
For more details on mortgage lending by loan type and property category, please refer to page 47 of the Management Commentary.			
24 b. Arrears and outlays			
231	252	470	378
14	17	19	22
(99)	(76)	(118)	(147)
146	192	371	252

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DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
24. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (CONTINUED)			
24 c. Totalkredit mortgage loan funding			
858,817	914,436	-	-
298,735	371,930	-	-
(16,921)	(16,153)	-	-
(226,196)	(356,923)	-	-
914,436	913,291	-	-
(11,805)	(101,714)	-	-
902,631	811,577	-	-
25. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST			
-	-	89,866	77,268
8	5	-	-
-	-	5	7
-	-	37,970	50,900
244	203	318	375
252	208	128,159	128,551
Adjustment for credit risk			
-	-	(3,132)	(2,755)
252	208	125,028	125,796
252	208	125,028	125,796
The Nykredit Group hedges the interest rate risk of fixed-rate bank loans and advances on a current basis using derivatives. This enables the Group to manage its overall interest rate sensitivity taking into consideration expected interest rate developments.			
The bank loan portfolio has been fair value adjusted through profit or loss as a result of the use of hedge accounting.			
-	-	93	179
-	-	88	182

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DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
	25. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (CONTINUED)		
	25 a. Bank loans and advances		
	Non-accrual loans or loans carrying a reduced interest rate		
-	- Non-accrual loans	36	41
-	- Loans carrying a reduced interest rate	6	4
	Bank loans, advances and guarantee debtors by sector		
%	% Loans and advances as %, year-end	%	%
-	- Public sector	1	1
	Business customers		
-	- Agriculture, hunting, forestry and fishing	3	3
-	- Manufacturing, mining and quarrying	10	8
-	- Energy supply	3	4
-	- Construction	2	2
-	- Trade	9	6
-	- Transport, accommodation and food service activities	4	4
-	- Information and communication	3	2
-	- Finance and insurance	28	37
-	- Real estate	12	11
-	- Other	9	6
-	- Total business customers	83	83
-	- Personal customers	16	18
-	- 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	
2021	2022	2022	2021
25. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (CONTINUED)			
25 a. Bank loans and advances (continued)			
Finance leases			
Of total loans and advances at amortised cost, finance leases represent			
-	-	5,860	5,921
	- Balance, beginning of year		
-	- Additions	2,611	2,506
-	- Disposals	2,461	(2,567)
-	- Balance, year-end	6,011	5,860
-	- Impairment provisions for finance leases represent	87	88
26. BONDS AT FAIR VALUE			
28,323	39,799	94,413	83,614
	Self-issued SDOs		
23,823	16,246	22,355	28,392
	Self-issued ROs		
8,170	7,995	7,995	8,170
	Self-issued senior debt		
19,559	24,332	80,370	70,927
	Other covered bonds		
6,105	4,587	6,391	9,172
	Government bonds		
3,039	3,547	3,877	4,489
	Other bonds		
89,018	96,505	215,401	204,765
	Total		
(28,315)	(39,794)	(94,408)	(83,606)
	Set-off of self-issued SDOs against "Bonds in issue at fair value" – note 39		
(8)	(5)	(5)	(8)
	Set-off of self-issued SDOs against "Bonds in issue at amortised cost" – note 40		
(23,823)	(16,246)	(22,355)	(28,392)
	Set-off of self-issued ROs against "Bonds in issue at fair value" – note 39		
(8,002)	(7,995)	(7,995)	(8,002)
	Set-off of self-issued senior debt against "Bonds in issue at fair value" – note 39		
(169)	-	-	(169)
	Set-off of self-issued senior unsecured debt against "Bonds in issue at amortised cost" – note 40		
28,703	32,465	90,638	84,589
	Total		

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
26. BONDS AT FAIR VALUE (CONTINUED)			
Of bonds at fair value before set-off of self-issued bonds:			
5,108	2,368	7,845	13,272
<p>As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of</p> <p>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.</p> <p>Collateral security was provided on an arm's length basis.</p> <p>As the majority – around DKK 85 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 15 billion are expected to have a maturity of more than five years.</p>			
27. BONDS AT AMORTISED COST			
552	912	912	552
298	555	555	298
149	2,251	126	149
998	3,717	1,592	998
28. EQUITIES ETC			
6,667	7,320	7,886	7,368
6,667	7,320	7,886	7,368
28 a. Equities measured at fair value through profit or loss			
2,520	3,581	3,634	2,588
954	570	570	954
3,194	3,170	3,683	3,826
6,667	7,320	7,886	7,368

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
29. INVESTMENTS IN ASSOCIATES			
14	14	17	17
0	-	3	1
-	(3)	(3)	-
14	11	17	17
30. INVESTMENTS IN GROUP ENTERPRISES			
33,643	39,643	-	-
6,000	-	-	-
-	(4,000)	-	-
39,643	35,643	-	-
31. ASSETS IN POOLED SCHEMES			
25,675	30,668	-	-
5,336	5,475	-	-
(148)	(119)	-	-
(195)	(215)	-	-
30,668	35,809	-	-
Subordinated receivables			
70,311	71,452	-	-
69,469	70,653	-	-
4,000	2,000	-	-
1,009	1,240	1,356	1,256
5,009	3,240	1,356	1,256
31. ASSETS IN POOLED SCHEMES			
-	-	164	-
-	-	661	-
-	-	68	-
-	-	893	-

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
		32. INTANGIBLE ASSETS	
-	-	1,770	1,770
-	-	2	4
125	168	215	173
144	185	185	144
-	-	90	114
269	353	2,262	2,205

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
		32 a. Goodwill	
-	-	1,770	1,770
-	-	1,770	1,770
-	-	1,770	1,770

Goodwill of DKK 1,770 million is allocated to the business area Wealth Management (Nykredit Group level) as the underlying cash flows are principally generated by this business area. Internal financial reporting is made at Nykredit Group level to the Management, which also monitors the value of goodwill.

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

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

Expected cash flows included in the impairment test are based on a 5-year budget period that reflects existing budgets and forecasts in the budget period as well as a subsequent terminal period where growth rates are kept at 2%. The development in the budget period is based on the development over the past few years and includes expected intake of new customers, increased volumes of existing customers and value increases of existing portfolios. Costs have been projected an expected indexation. The effect thereof has been partly offset by synergies resulting from the acquisition. The discount rate applied is 10% in 2022 (7.5% after tax) compared with 10% in 2021 (7.5% after tax). The determination is based on an analysis of the equity market's return requirements for investment management and portfolio administration.

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
32. INTANGIBLE ASSETS (CONTINUED)			
32 a. Goodwill (continued)			
The impairment test is based on the following assumptions:			
		2022	2021
	Acquired goodwill	1,770	1,770
	Required rate of return before tax, %	10	10
	Average annual business growth in the budget period, %	7	6
	Fixed annual business growth in the terminal period, %	2	2
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.			
32 b. Software			
1,343	397	456	1,375
154	92	103	182
(1,100)	(21)	(21)	(1,101)
397	469	539	456
32 c. Development projects in progress			
(1,185)	(272)	(283)	(1,193)
(69)	(50)	(61)	(73)
(120)	-	-	(120)
284	-	-	284
819	21	21	819
(272)	(301)	(324)	(283)
125	168	215	173
203	144	144	203
119	134	134	119
(178)	(92)	(92)	(178)
144	185	185	144
(7)	-	-	(7)
14	-	-	14
(7)	-	-	(7)
-	-	-	-
144	185	185	144

NOTES

Nykredit Realkredit A/S		DKK million			
		2021	2022	2022	2021
		32 d. Customer relationships			
-	-	Cost, beginning of year		170	170
-	-	Cost, year-end		170	170
-	-	Amortisation and impairment, beginning of year		(56)	(32)
-	-	Amortisation for the year		(24)	(24)
-	-	Amortisation and impairment, year-end		(80)	(56)
-	-	Balance, year-end		90	114
		Customer relationships etc are amortised over 3-13 years.			
-	-	Residual amortisation period at 31 December (average number of years)		4	5

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	
2021	2022	Nykredit Realkredit Group	
		2022	2021
33. LAND AND BUILDINGS			
14	7	25	31
Owner-occupied properties			
377	240	246	380
Leased properties			
390	247	271	412
Total			
33 a. Owner-occupied properties			
15	15	32	65
Cost, beginning of year			
-	(8)	(8)	(33)
Disposals			
15	8	25	32
Cost, year-end			
-	-	3	2
Revaluations, beginning of year			
-	-	1	1
Additions for the year recognised in "Other comprehensive income"			
-	-	4	3
Revaluations, year-end			
1	1	4	10
Depreciation and impairment, beginning of year			
0	0	0	0
Depreciation for the year			
-	-	-	0
Impairment for the year			
-	(0)	(0)	(6)
Reversal of depreciation and impairment			
1	1	4	4
Depreciation and impairment, year-end			
14	7	25	31
Balance, year-end			
0	0	14	15
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-2022.			
The valuations were carried out by an internal valuer based on the return method. In 2022 the required rate of return ranged between 6.0% and 7.0% (6.5% on average) depending on the nature, location and state of repair of the owner-occupied property.			
-	-	23	28
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	
2021	2022	2022	2021
33. LAND AND BUILDINGS (CONTINUED)			
33 b. Leased properties			
855	855	858	860
-	13	17	(2)
855	868	876	858
322	479	478	320
157	150	152	158
479	628	630	478
377	240	246	380

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 1.11% for long-term contracts. For leases which have been terminated, the determination is based on the period until the end of the lease term, while the remaining portfolio has an average remaining term of about 5 years based on an estimate of the period in which Nykredit expects to occupy the properties. Liabilities were DKK 231 million at end-2022 (2021: DKK 382 million). Interest relating to lease liabilities was DKK 4 million (2021: DKK 5 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 2023. The leases concluded have 15-year lease terms. The annual expense is expected to amount to about DKK 48 million excluding VAT. This amount is subject to rental price indexation.

NOTES

Nykredit Realkredit A/S		DKK million			
		2021	2022	2022	2021
		34. OTHER PROPERTY, PLANT AND EQUIPMENT			
740	637	Cost, beginning of year	701	787	
64	62	Additions	72	84	
(166)	(192)	Disposals	(202)	(169)	
637	507	Cost, year-end	571	701	
		Depreciation and impairment, beginning of year			
562	442	Depreciation and impairment, beginning of year	484	599	
47	53	Depreciation for the year	55	51	
(166)	(192)	Reversal of depreciation and impairment	(192)	(166)	
442	304	Depreciation and impairment, year-end	346	484	
195	203	Balance, year-end	224	217	
		Other assets are depreciated over 4-15 years.			
4	4	Residual depreciation period at 31 December (average number of years)	4	4	
		35. ASSETS IN TEMPORARY POSSESSION			
8	9	Properties acquired by foreclosure for sale	9	12	
8	9	Total	9	12	
		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.			
		36. OTHER ASSETS			
4,262	5,678	Interest and commission receivable	2,098	1,702	
8	4	Receivables from Group enterprises	-	-	
671	691	Positive market value of derivative financial instruments etc	8,004	16,935	
320	242	Defined benefit plans	242	320	
464	1,536	Other	6,615	4,207	
5,726	8,150	Total	16,958	23,165	
		36 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.			
		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.			
(362)	(317)	Present value of defined benefit plans	(317)	(362)	
683	559	Fair value of plan assets	559	683	
321	242	Net assets, year-end	242	321	
11	(3)	Pension costs/income relating to defined benefit plans recognised in "Staff and administrative expenses" in the income statement	(3)	11	
(27)	82	Pension costs/income relating to defined benefit plans recognised in "Actuarial gains/losses on defined benefit plans" in "Other comprehensive income"	82	(27)	

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
	36 b. Finance leases		
	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.		
	The leases are sublet to the franchisees on the same terms as Nykredit Mægler's head lease. The leases are therefore categorised as finance leases.		
	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 33 b to which reference is made.		
	The related lease liabilities (note 42 "Other liabilities") nominally correspond to the size and terms of the assets.		
-	- Cost, beginning of year	228	264
-	- Additions for the year	16	6
-	- Disposals for the year	42	42
-	- Cost, year-end	202	228
-	- Interest income:	4	4
-	- Interest expenses:	4	4
-	- Rent paid or collected	49	46
-	- Non-earned income	17	8

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
37. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS			
408	277	10,222	6,563
-	-	3,773	3,882
2,471	9,829	13,036	4,472
-	-	821	-
2,879	10,107	27,851	14,917
38. DEPOSITS AND OTHER PAYABLES			
-	-	98,766	85,878
-	-	5,396	4,073
-	-	3,230	2,746
-	-	6,266	7,379
-	-	113,657	100,076
39. BONDS IN ISSUE AT FAIR VALUE			
129,048	118,524	121,474	132,808
1,341,138	1,249,556	1,249,556	1,341,138
8,980	8,687	8,687	8,980
1,479,166	1,376,766	1,379,717	1,482,926
(60,139)	(64,034)	(124,758)	(120,000)
1,419,027	1,312,732	1,254,959	1,362,926

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 2022 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		
2021	2022	2022	2021	
39. BONDS IN ISSUE AT FAIR VALUE (CONTINUED)				
<p>The yield spread between government bonds and ROs/SDOs widened in 2022, causing a decrease in the fair value of issued bonds of about DKK 8 billion (2021: an increase of about DKK 21 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 (2021: an increase of about DKK 16 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>				
39 a. ROs				
121,424	116,921	ROs at nominal value	119,758	124,927
7,624	1,603	Fair value adjustment	1,717	7,881
129,048	118,524	ROs at fair value	121,474	132,808
(23,823)	(16,246)	Self-issued ROs	(22,355)	(28,392)
105,225	102,278	Total outstanding ROs at fair value	99,119	104,416
58	33	Of which pre-issuance	33	58
5,233	3,639	ROs redeemed and maturing at next creditor payment date	3,737	5,419
39 b. SDOs				
1,351,177	1,383,244	SDOs at nominal value	1,383,244	1,351,177
(10,039)	(133,688)	Fair value adjustment	(133,688)	(10,039)
1,341,138	1,249,556	SDOs at fair value	1,249,556	1,341,138
(28,315)	(39,794)	Self-issued SDOs	(94,408)	(83,606)
1,312,823	1,209,762	Total outstanding SDOs at fair value	1,155,148	1,257,532
1,910	3,197	Of which pre-issuance	3,197	1,910
65,996	52,570	SDOs redeemed and maturing at next creditor payment date	52,570	65,996
39 c. Senior secured debt				
8,855	8,699	Senior secured debt at nominal value	8,699	8,855
125	(12)	Fair value adjustment	(12)	125
8,980	8,687	Senior secured debt at fair value	8,687	8,980
(8,002)	(7,995)	Self-issued senior secured debt	(7,995)	(8,002)
978	692	Total outstanding senior secured debt at fair value	692	978
-	-	Senior secured debt maturing at next creditor payment date	-	-

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
40. BONDS IN ISSUE AT AMORTISED COST			
-	-	11,670	4,415
8	6	6	8
55,675	51,641	51,641	55,675
70	65	65	70
55,752	51,711	63,381	60,167
Total			
-	-	(2,125)	-
(8)	(5)	(5)	(8)
(169)	-	-	(169)
55,576	51,706	61,251	59,991
Total outstanding bonds in issue at amortised cost			
40 a. Corporate bonds			
Issues			
-	-	9,545	4,415
-	-	2,125	-
-	-	11,670	4,415
Total			

NOTES

Nykredit Realkredit A/S				DKK million	
				Nykredit Realkredit Group	
2021	2022			2022	2021
41. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE					
458	272	Negative securities portfolios		8,837	10,830
458	272	Total		8,837	10,830
42. OTHER LIABILITIES					
6,116	8,464	Interest and commission payable		9,530	7,121
708	492	Negative market value of derivative financial instruments etc		10,327	8,781
1,233	1,351	Other		4,067	3,521
8,057	10,307	Total		23,925	19,424

In addition, lease payments relating to finance leases were recognised in "Other" at DKK 202 million in 2022 (2021: DKK 228 million), see note 36. Lease liabilities concern rent etc related to assets, see notes 33 b. and 36 b.

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
43. CURRENT TAX ASSETS AND LIABILITIES			
Current tax			
67	31	13	11
-	-	0	-
1	-	-	1
(742)	(573)	(1,814)	(1,925)
(10)	(1)	(5)	(15)
716	487	1,328	1,940
31	(55)	(478)	13
Current tax recognised in the balance sheet:			
31	28	47	49
-	83	526	36
31	(55)	(478)	13
44. PROVISIONS FOR DEFERRED TAX/DEFERRED TAX ASSETS			
(157)	(89)	(171)	(252)
51	(207)	(198)	61
6	10	10	6
11	(1)	7	15
-	(43)	(50)	-
(88)	(330)	(402)	(170)
Deferred tax recognised in the balance sheet			
(0)	(0)	175	130
89	330	578	301
(89)	(330)	(402)	(171)
Deferred tax relates to:			
4	4	(232)	(188)
-	-	1	-
(59)	(48)	(80)	(95)
7	2	10	13
(47)	(79)	20	20
(60)	(2)	(2)	(60)
-	-	86	72
1	59	60	2
66	(266)	(266)	66
(89)	(330)	(402)	(171)
Deferred tax not recognised in the balance sheet			
154	173	177	155
154	173	177	155
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	
2021	2022	2022	2021
45. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS			
46	28	29	47
0	(12)	(12)	0
(12)	-	(0)	(12)
(6)	-	-	(6)
28	17	17	29
46. REPAYABLE RESERVES IN PRE-1972 SERIES			
32	28	28	32
(3)	(2)	(2)	(3)
(1)	(4)	(4)	(1)
28	21	21	28
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.			
47. PROVISIONS FOR LOSSES UNDER GUARANTEES			
-	-	331	241
-	-	215	227
-	-	(206)	(137)
-	-	340	331
48. OTHER PROVISIONS			
56	85	245	293
(2)	(2)	(36)	(132)
35	(5)	94	88
0	1	1	0
(4)	-	-	(4)
85	79	305	245

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
49. 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 800 million. The loan matures on 17 November 2027, but may be redeemed at par (100) from 17 November 2022. The loan carries a fixed interest rate of 2.75% pa up to 17 November 2022, after which date the interest rate will be fixed for the next five years			
5,987	-	-	5,987
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	372	372	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.			
725	667	667	725
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			
3,653	3,269	3,269	3,653
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	3,599	-
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	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	1,093	-
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	-
10,737	10,136	10,136	10,737
Total subordinate loan capital			
-	-	-	-
Portfolio of self-issued bonds			
10,737	10,136	10,136	10,737
Total subordinated debt			
10,766	10,710	10,723	10,777
13	16	16	13
Subordinated debt that may be included in own funds			
Costs related to raising and redeeming subordinated debt			

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
49. 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:			
41	-	-	41
(53)	(440)	(440)	(53)
-	(108)	(108)	-
-	(0)	(0)	-
405	360	360	405
6,089	-	-	6,089
728	639	639	728
3,686	3,157	3,157	3,686
-	950	950	-
-	3,664	3,664	-
-	187	187	-
-	1,110	1,110	-
10,895	9,520	9,520	10,895
	Total		

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2021	2022	2022	2021
50. OFF-BALANCE SHEET ITEMS			
Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.			
-	-	8,393	8,987
8,615	11,323	23,986	23,087
8,615	11,323	32,379	32,074
50 a. Contingent liabilities			
-	-	52	57
-	-	17	27
-	-	8,325	8,903
-	-	8,393	8,987
"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.			
50 b. Other commitments			
8,007	10,866	23,067	22,232
608	457	919	855
8,615	11,323	23,986	23,087

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

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Nykredit Realkredit Group

50. 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).

51. 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 2022.

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 2022 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.

Nykredit Realkredit A/S has granted loans, see section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, to Totalkredit A/S serving as supplementary collateral in Totalkredit A/S's capital centres. The loans amounted to DKK 0,0 billion as at 31 December 2022 (2021: DKK 0,8 billion). The loans constitute secondary preferential claims and rank after the master bond in respect of the assets in Totalkredit A/S's capital centres.

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.

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.

In 2022 Nykredit Bank A/S redeemed Tier 2 capital of DKK 2 billion.

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

Agreements between Forenet Kredit and Group companies

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

NOTES

DKK million

51. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Income statement	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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Nykredit Realkredit Group												
Income statement												
Interest income	-	-	0	0	-	-	-	-	-	-	-	-
Interest expenses	-	-	3	5	0	0	0	0	1	0	0	0
Other operating income	-	-	1,150	1,075	-	-	-	-	-	-	-	-
Balance sheet items												
Loans, advances and other receivables at fair value	-	-	9	-	-	-	40	39	32	24	18	15
Other assets	-	-	2	-	-	-	-	-	-	-	-	-
Deposits and other payables	-	-	91	43	4	6	10	9	19	14	2	2
Bonds in issue at fair value	-	-	1,028	1,212	-	-	-	-	-	-	-	-
Nykredit Realkredit A/S												
Income statement												
Interest income	10,742	8,616	-	-	-	-	-	-	-	-	-	-
Interest expenses	43	75	4	5	-	-	-	-	-	0	-	-
Fee and commission income	641	638	-	-	-	-	-	-	-	-	-	-
Fee and commission expenses	362	265	-	-	-	-	-	-	-	-	-	-
Value adjustments	(128,632)	(28,941)	-	-	-	-	-	-	-	-	-	-
Other operating income	124	121	300	225	-	-	-	-	-	-	-	-
Staff and administrative expenses	(1,674)	(1,361)	(6)	(5)	-	-	-	-	-	-	-	-
Balance sheet items												
Receivables from credit institutions and central banks	29,220	39,838	-	-	-	-	-	-	-	-	-	-
Loans, advances and other receivables at fair value	-	790	-	-	-	-	-	-	-	0	-	-
Totalkredit mortgage loan funding	811,577	902,631	-	-	-	-	-	-	-	-	-	-
Loans, advances and other receivables at amortised cost	5	8	-	-	-	-	-	-	-	-	-	-
Bonds at fair value	150	163	-	-	-	-	-	-	-	-	-	-
Other assets	5,131	3,805	4	7	-	-	-	-	-	-	-	-
Payables to credit institutions and central banks	2,334	40	-	-	-	-	-	-	-	-	-	-
Bonds in issue at fair value	64,105	61,742	1,028	1,212	-	-	-	-	-	-	-	-
Other liabilities	593	552	-	-	-	-	-	-	-	-	-	-

The facilities of related parties were granted on standard business terms. Rates applying to ordinary loans range between 0% and 4.3% (2021: between 2.0% and 12.5%), and deposit rates were between 0% and 4.3% (2021: between 0% and 1.26%).

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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52. FAIR VALUE DISCLOSURES

Valuation principles

Financial instruments are measured at fair value or amortised cost in the balance sheet. The tables in notes 52 a. and 52 b. show the fair values of all instruments compared with the carrying amounts at which the instruments are recognised in the balance sheet.

Financial instruments measured at fair value

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

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

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

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

Financial instruments measured at amortised cost

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

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

Note 52 a shows the fair value of the financial instruments measured at amortised cost and the instances where the fair value does not correspond to the carrying amount.

Listed prices

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

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

Observable inputs

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

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

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

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

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

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Nykredit Realkredit Group

FVA may involve both a funding benefit and a funding cost, but for Nykredit, the net FVA adjustment in 2022 will be a funding benefit. Debit Valuation Adjustment (DVA) is now a sub-element of the FVA adjustment.

Net value adjustment due to CVA, DVA and FVA amounted to DKK -45 million at 31 December 2022 (2021: DKK -385 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 2022, the non-amortised minimum margin amounted to DKK 114 million (2021: DKK 119 million). With regard to liquidity and credit risk, DKK 147 million for end-2022 and DKK 160 million for 2021 have been included above in the net adjustment of FVA and CVA. Finally, in some instances further value adjustment based on management judgement is made if the models are not deemed to take into account all known risks, including eg legal risks.

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

Unobservable inputs

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

The positive market values of a number of interest rate swaps with customers in the lowest rating categories have been adjusted for increased credit risk based on additional CVA. The adjustment uses for instance the statistical data applied by 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 201 million at 31 December 2022 (2021: DKK 1,396 million). Credit value adjustments came to DKK 357 million at 31 December 2022 (2021: DKK 1,345 million).

The interest rate risk on these interest rate swaps is hedged in all material respects. However, interest rate fluctuations may impact results to the extent that the market value must be adjusted due to increased counterparty credit risk. A 0.1 percentage point change in interest rate levels will impact the fair value by +/- DKK 23 million.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 31 December 2022, the proportion was thus 0.3% compared with 0.3% at end-2021. The proportion of financial liabilities was 0.0% against 0.0% at end-2021.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 3.9 billion (2021: DKK 5.2 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 387 million at 31 December 2022 (0.42% of equity at 31 December 2022). The earnings impact for 2021 was estimated at DKK 519 million (0.55% of equity at 31 December 2021).

The net asset thus has a relatively insignificant impact on results and equity. With respect to derivatives (DKK 0.2 billion), it should be noted that changes in market value owing to the development in interest rates will largely be offset credit value adjustment, and the net effect for accounting purposes is therefore assumed to be very low.

Transfers between categories

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

In 2022 and 2021, transfers between the categories Observable inputs and Unobservable inputs mainly resulted from changes to the ratings (credit risk) of counterparties and primarily concerned interest rate swaps, as regards financial instruments with positive market value.

Transfers between the categories Listed prices and Observable inputs mainly result from bonds that are reclassified either due to traded volume or the number of days between last transaction and the time of determination. In 2022 financial assets of DKK 9.2 billion were transferred from Listed prices to Observable inputs and DKK 0.0 billion from Observable inputs to Listed prices. Financial liabilities of DKK 0.2 billion were transferred from Listed prices to Observable inputs and DKK 0.9 billion from Observable inputs to Listed prices.

Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets. At 31 December 2022, the amount was DKK 0.4 billion against DKK 0.5 billion at end-2021.

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

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DKK million

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52. FAIR VALUE DISCLOSURES (CONTINUED)

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

2022	Carrying amount	Fair value	Balance	Fair value calculated on the basis of		
				Listed prices	Observable inputs	Unobservable inputs
Assets						
Loans, advances and other receivables at amortised cost	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	-	1,843	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			
2021						
Assets						
Loans, advances and other receivables at amortised cost	125,796	125,978	183	-	7	125,971
Bonds at amortised cost	998	1,027	29	-	1,027	-
Total	126,794	127,005	212	-	1,035	125,971
Liabilities						
Bonds in issue at amortised cost	59,991	59,797	194	-	59,727	70
Subordinated debt	10,737	10,895	(158)	-	10,895	-
Total	70,728	70,692	36	-	70,622	70
Transfer from assets			212			
Total balance			248			

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DKK million

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52. FAIR VALUE DISCLOSURES (CONTINUED)

52 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	-	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 ²	-	-	39	39
Transferred to Listed prices and Observable inputs ³	-	-	(551)	(551)
Fair value, year-end, assets	25	3,642	201	3,868

¹ Recognised at fair value under the fair value option.² Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps individually adjusted for increased credit risk.³ 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

Nykkredit Realkredit Group

52. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2021

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- bonds at fair value	16,239	68,349	-	84,589
- equities etc	3,606	-	3,762	7,368
- positive fair value of derivative financial instruments ⁴	269	15,270	1,396	16,935
- mortgage loans, arrears and outlays ¹	-	1,382,803	-	1,382,803
- owner-occupied properties	-	-	31	31
Total	20,114	1,466,422	5,190	1,491,726
Percentage	1.3	98.3	0.3	100
Financial liabilities:				
- other non-derivative financial liabilities at fair value	3,292	7,538	-	10,830
- negative fair value of derivative financial instruments	242	8,539	-	8,781
- bonds in issue at fair value ³	1,361,922	1,004	-	1,362,926
Total	1,365,456	17,081	-	1,382,537
Percentage	98.8	1.2	-	100
Assets measured on the basis of unobservable inputs				
	Real estate	Equities	Derivatives	Total
Fair value, beginning of year, assets	58	3,199	2,064	5,321
Value adjustment recognised through profit or loss	10	674	(232)	451
Unrealised capital gains and losses recognised in "Other comprehensive income"	3	-	-	3
Purchases for the year	-	453	-	453
Sales for the year	(39)	(563)	(70)	(671)
Transferred from Listed prices and Observable inputs ²	-	-	180	180
Transferred to Listed prices and Observable inputs ³	-	-	(547)	(547)
Fair value, year-end, assets	31	3,762	1,396	5,190

¹ Recognised at fair value under the fair value option.² Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps individually adjusted for increased credit risk.³ 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. OFFSETTING

	Gross amounts	Financial instruments offset	Carrying amount after offsetting	Further offsetting, master netting agreements	Collateral	Net amounts
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
2021						
Financial assets:						
Derivatives with a positive fair value	30,711	13,776	16,935	6,744	2,092	8,098
Reverse repo transactions	55,454	3,184	52,270	-	52,101	169
Total	86,165	16,960	69,205	6,744	54,193	8,267
Financial liabilities:						
Derivatives with a negative fair value	22,557	13,776	8,781	6,744	1,556	481
Repo transactions	14,500	3,184	11,316	-	11,254	62
Total	37,057	16,960	20,097	6,744	12,810	543

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

54. 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	
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)	

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DKK million

Nykredit Realkredit Group

54. 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	
2021								
Foreign exchange contracts								
Forward contracts/futures, purchased	209	26	1	-	420	184	236	59,993
Forward contracts/futures, sold	(145)	(20)	1	-	192	356	(164)	52,680
Swaps	0	0	4	19	102	79	23	4,693
Options, purchased	1	1	-	-	2	-	2	108
Options, written	(1)	(1)	-	-	-	2	(2)	108
Interest rate contracts								
Forward contracts/futures, purchased	(165)	1	-	-	36	201	(164)	45,320
Forward contracts/futures, sold	248	0	-	-	278	30	248	56,249
Swaps	10	98	232	7,564	15,617	7,713	7,904	908,523
Options, purchased	(8)	1	40	198	260	29	231	23,297
Options, written	-	(0)	(21)	(96)	-	118	(118)	12,060
Equity contracts								
Forward contracts/futures, purchased	-	-	-	-	-	-	-	0
Forward contracts/futures, sold	(36)	-	-	-	-	36	(36)	4
Options, purchased	1	-	-	-	1	-	1	0
Options, written	(0)	-	-	-	-	0	(0)	-
Credit contracts								
Credit default swaps, purchased	-	-	(18)	-	-	18	(18)	156
Credit default swaps, sold	-	-	13	-	13	-	13	112
Unsettled spot transactions								
	(0)	-	-	-	13	13	(0)	24,860
Total	113	105	252	7,684	16,935	8,781	8,155	

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Nykredit Realkredit A/S		DKK million	
2021	2022	Nykredit Realkredit Group	
2021	2022	2022	2021
55. 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:			
468	2,492	Receivables from credit institutions and central banks	8,161 1,370
(462)	(2,449)	Bonds received as collateral but not offset against the balance	(7,585) (1,366)
6	43	Total less collateral	576 4
-	-	Loans, advances and other receivables, gross	42,684 54,084
-	-	Netting	(4,714) (3,184)
-	-	Loans, advances and other receivables etc, net	37,970 50,900
-	-	Bonds received as collateral but not offset against the balance ¹	(37,435) (50,735)
-	-	Total less collateral	535 165
462	2,449	¹ Of which self-issued bonds	21,057 22,061
Of the liability items below, repo transactions represent:			
2,471	9,829	Payables to credit institutions and central banks	13,856 4,472
2,469	9,753	Bonds provided as collateral	13,321 4,461
-	-	Deposits and other payables, gross	10,980 10,573
-	-	Netting	(4,714) (3,194)
-	-	Other non-derivative financial liabilities etc, net	6,266 7,379
-	-	Bonds provided as collateral ¹	6,150 7,316
-	-	Total less collateral	116 63
-	-	¹ Of which self-issued bonds	5,294 5,821

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Nykredit Realkredit Group

56. RISK MANAGEMENT

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 44 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

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

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

Probability of Default (PD)

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

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

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

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

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 exposures, a number of events have been defined that make it unlikely that a customer will be able to pay its credit obligations without realisation of collateral. The main ones are: events leading to IFRS 9 stage 3, bankruptcy, distressed restructuring and significant arrears/overdrafts (90 days past due).

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 Realkredit Group's maximum credit exposure constitutes DKK 1,617 billion. The credit exposure primarily arises from mortgage loans (loans, advances and other receivables at fair value), which amount to DKK 1,292 billion.

Total provisions for mortgage loan impairment

Total provisions for mortgage loan impairment equalled 0.41% of total mortgage lending, excluding credit institutions (end-2021: 0.47%). Total impairment provisions amounted to DKK 5,919 million at end-2022 (end-2021: DKK 6,515 million). Provisions concerning covid-19 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	31.12.2022	31.12.2021
Individual impairment provisions (stage 3)	1,750	2,631
Model-based impairment provisions (stages 1, 2 and 3)	4,169	3,883
- of the above attributable to covid-19	1,616	1,473
Total impairment provisions for mortgage lending	5,919	6,515

Stress test calculations are made as a supplement to model-based impairment provisions to the extent that recent economic changes (such as covid-19, unemployment etc) have not yet been captured by Nykredit's models.

Earnings impact

Impairment charges for mortgage lending for the year came to DKK 477 million (2021: DKK 0 million). Of the impairment charges for loans and advances for the year, DKK 93 million was attributable to owner-occupied dwellings and a reversal of DKK 570 million to the business segment.

Total provisions for bank loan impairment

Provisions for bank loan impairment (exclusive of credit institutions and guarantees) totalled DKK 3,132 million at end-2022 (end-2021: DKK 2,755 million).

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

Post-model adjustments

Corrections to and changes in assumptions in the impairment models are based on management judgement. At 31 December, such post-model adjustments totalled DKK 4,073 million. The underlying reasons, for example changes in agricultural output prices due to changed economic trends and/or changed export potential as well as financial and legal conditions in the real estate sector may generally affect credit risk beyond the outcome derived on the basis of model-based impairments. Local geographical conditions, internal process risk and ongoing monitoring of the loan portfolio may also reflect conditions which macroeconomic projections cannot capture. The estimates are adjusted and evaluated on a regular basis, and it is decided on an individual basis whether to phase out or incorporate an estimate into the models, if necessary.

The scope of such post-model adjustments is shown below:

	DKK million	
Nykredit Realkredit Group		
Specific macroeconomic risks and process-related circumstances	31.12.2022	31.12.2021
Agriculture	644	499
Covid-19	533	1,244
Geopolitical tensions	1,077	-
Concentration risks in loan portfolios	217	254
Total macroeconomic risks	2,471	1,997
Process-related	554	240
Model changes	116	326
ESG	200	-
Other (results of controlling, haircuts etc)	732	935
Total process-related circumstances	1,602	1,501
Total post-model adjustments	4,073	3,498

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-2022, the scenarios were updated to reflect the current and expected economic environment, including the geopolitical tensions caused by, for example, the war in Ukraine and resulting market conditions. The main scenario must reflect the economic environment. The main scenario carries a 55% weighting. The main scenario used for the impairment models implies 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 40%. This scenario implies expected GDP decline of 0.6% and house price decreases of 7.6% in 2023.

The improved scenario carries a 5% weighting and is based on the macroeconomic conditions observed at the date of this Annual Report. This scenario uses realised levels of interest rates, GDP, house prices and unemployment. Based on this weighting, impairment provisions totalled DKK 9,409 million as at 31 December 2022 (end-2021: DKK 9,625 million). If the main scenario carried a 100% weighting, total impairment provisions would decrease by DKK 82 million. Compared with the main scenario, total impairment provisions would rise by DKK 1,456 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 1.0 billion.

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Nykredit Realkredit Group

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, retail as well as accommodation and food service. If the adverse scenario carried a 100% weighting, the impairment level of such customers will increase by DKK 1,282 million. If the weighting of the improved scenario was 100%, total impairment provisions of such customers will be reduced by DKK 561 million.

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, 8% 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 1.3% and 1.4%, 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 63.0% of total lending. The portfolio of business loans mainly comprises loans to the private residential rental (33.5% of the total portfolio of business loans), office and retail (27.3%), and agricultural sectors (15.7%). Bank lending mainly comprises loans to business customers, which account for 90.4% of total lending, and loans to personal customers, accounting for 9.6%.

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 9.8 billion at end-2022. Nykredit Bank A/S's largest exposure to a non-financial counterparty amounted to DKK 3.9 billion at end-2022. 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-2022.

DKK million

Nykredit Realkredit Group

	2022	2021
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	48,708	39,454
Receivables from credit institutions and central banks	11,582	5,165
Loans, advances and other receivables at fair value	1,292,489	1,382,803
Loans, advances and other receivables at amortised cost	125,028	125,796
Bonds at fair value	90,638	84,589
Other assets	17,091	23,240
Off-balance sheet items		
Contingent liabilities	8,393	8,987
Irrevocable credit commitments	23,067	22,232
Total	1,616,997	1,692,265

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DKK million

Nykredit Realkredit Group

56. 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.

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

2021								
Rating category	Owner-occupied dwellings	Private rental	Industry and trades	Office and retail	Agricultural property	Public housing	Other	Total
10	315,830	21,841	11,321	16,455	4,035	5,596	296	375,374
9	256,568	15,160	4,488	27,939	12,165	7,155	2,625	326,099
8	135,988	35,883	3,801	33,593	13,799	35,542	4,949	263,555
7	77,672	37,553	1,743	24,766	15,178	26,500	7,057	190,469
6	46,465	26,378	611	10,962	11,973	1,614	2,807	100,810
5	20,943	10,163	224	5,909	9,350	436	825	47,850
4	11,895	9,325	315	6,590	10,792	309	658	39,883
3	6,435	1,917	185	1,001	1,936	16	104	11,594
2	5,835	784	96	464	784	24	90	8,077
1	3,598	669	17	166	636	158	135	5,381
0	1,817	46	2	29	62	30	-	1,985
Exposures in default	7,699	3,194	219	2,876	5,908	210	492	20,599
Total	890,745	162,912	23,021	130,750	86,618	77,591	20,038	1,391,675

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DKK million

Nykredit Realkredit Group

56. 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.

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

2021

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

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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 360 billion at end-2022 (2021: DKK 329 billion) and has risen compared with 2021. 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.

	DKK million	
	2022	2021
Nykredit Realkredit Group		
Risk exposure amount – credit risk		
Standardised approach	13,768	15,573
IRB approach	253,700	245,118
Equities	9,669	10,676
Other ¹	82,457	57,989
Total credit risk exposure	359,595	329,356

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	40¹

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%.

	2022				2021			
Bank lending	Public sector	Personal customers	Business customers	Total	Public sector	Personal customers	Business customers	Total
Unsecured lending	514	2,223	48,145	50,883	440	2,589	37,599	40,628
Lending secured by way of legal charge or other collateral security:								
Fully secured	103	5,399	41,798	47,300	447	3,404	55,980	59,830
Partially secured	367	4,637	21,518	26,523	228	4,893	19,834	24,955
Total lending after impairment	984	12,259	111,461	124,705	1,115	10,885	113,413	125,413

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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.

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.

At end-2022, the LTV level of the Group's total loan portfolio was 51.0% (2021: DKK 55.8), down 4.8 percentage points on end-2021. The table "Debt outstanding relative to estimated property values" shows the LTVs of Nykredit's mortgage lending by property type.

Nykredit Realkredit Group

Debt outstanding relative to estimated property values

DKK million	LTV (loan-to-value)						Total	LTV average, %
	0-40	40-60	60-80	80-90	90-100	>100		
Owner-occupied dwellings	604,669	157,081	39,435	884	246	333	802,649	54
Private rental ¹	120,912	30,781	6,427	263	121	118	158,622	53
Industry and trades	19,752	3,030	209	29	22	4	23,046	45
Office and retail	109,543	23,183	1,328	246	117	172	134,588	48
Agricultural property	58,160	17,650	3,731	173	63	121	79,898	56
Public housing	-	-	-	-	-	-	76,832	-
Other	13,864	1,999	503	40	28	51	16,484	45
Total 2022¹	926,900	233,724	51,633	1,635	598	798	1,292,119	51
Total 2021¹	918,697	284,098	89,249	2,924	1,145	1,190	1,382,551	56

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)					
	0-40	40-60	60-80	80-90	90-100	>100
Owner-occupied dwellings	75.3	19.6	4.9	0.1	0.0	0.0
Private rental ¹	76.2	19.4	4.1	0.2	0.1	0.1
Industry and trades	85.7	13.1	0.9	0.1	0.1	0.0
Office and retail	81.4	17.2	1.0	0.2	0.1	0.1
Agricultural property	72.8	22.1	4.7	0.2	0.1	0.2
Public housing	0.0	0.0	0.0	0.0	0.0	0.0
Other	84.1	12.1	3.0	0.2	0.2	0.3
Total 2022¹	76.3	19.2	4.2	0.1	0.0	0.1
Total 2021¹	70.8	21.9	6.9	0.2	0.1	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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Nykredit Realkredit Group

Counterparty risk

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

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

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

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

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

REA for counterparty risk was DKK 6.5 billion at end-2022. The main part of REA is related to derivatives and repo transactions, while a minor part is related to credit valuation adjustment (CVA) and CCP exposures.

Value adjustment of derivatives

Nykredit makes fair value adjustments of derivatives in accordance with the International Financial Reporting Standards (IFRS), which includes both Credit and Funding Valuation Adjustment (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 (rating 0 and exposures in default) are value adjusted in full, whether or not these customers still make timely payments to Nykredit.

Market risk

Nykredit 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 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 or the banking book.

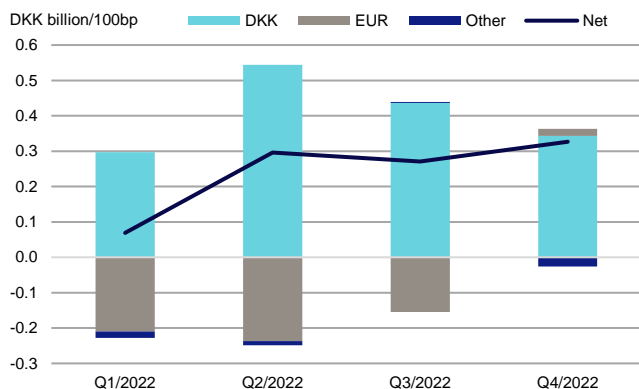
In addition to the market risk policy, Nykredit's Board of Directors has laid down guidelines for market risk in the trading and banking books, respectively, which are used in day-to-day market risk management. In accordance with these guidelines, the Executive Board delegates specific limits for the 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 Realkredit or other Boards of Directors depending on the nature of such breach.

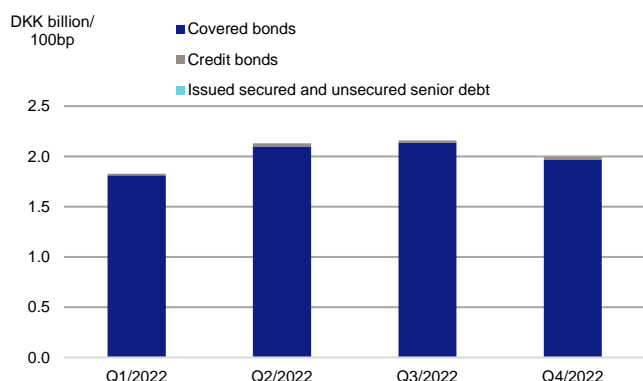
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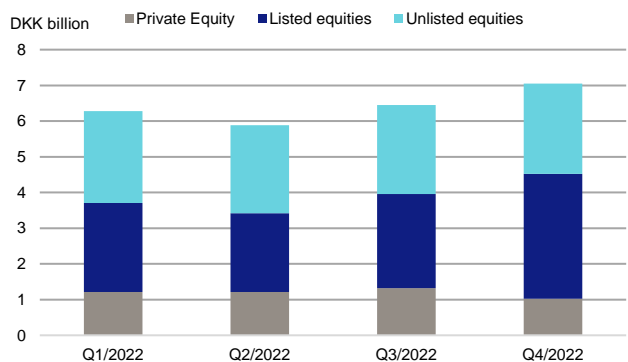
Nykredit Realkredit Group Interest rate risk, trading book



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 financial instruments.

Nykredit's interest rate exposure was DKK 512 million at end-2022, of which DKK 327 million in the trading book and DKK 185 million in the banking book.

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.

At end-2022 the yield spread risk on the Group's total portfolio of covered bonds was DKK 3 billion. Of this amount, the yield spread risk was DKK 2 billion in the trading book and DKK 1 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 7.1 billion at end-2022.

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 0.1 billion in the trading book and DKK 7,0 billion in the banking book.

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Nykredit Realkredit Group

Interest rate risk in the banking book (IRRBB)

A number of specific regulatory requirements apply to IRRBB. Two regulatory metrics are used to manage IRRBB: Economic Value of Equity (EVE) and Net Interest Income (NII), expressing estimated losses in terms of value adjustments and earnings impact, respectively, as a result of different interest rate change scenarios. At end-2022, EVE came to a loss of DKK 237 million under the flattener shock scenario, where short-term interest rates are up and long-term interest rates are down. NII came to a loss of DKK 821 million, driven by an interest rate decline of 2 percentage points.

Other market risks

Besides the market risks addressed above, Nykredit is exposed to foreign exchange risk and volatility risk in relation to equity, foreign exchange and interest-bearing instruments, such as options. These risks only make up a minor amount 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 2022.

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 in consequence 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 REA resulting from stressed VaR is added to the REA resulting from the current VaR.

The total REA for market risk is determined as the sum of the different risk measures, comprising general risk from the VaR model, specific risk and general risk under the standardised approach. Nykredit's total REA from VaR amounted to DKK 13.7 billion at end-2022, of which stressed VaR amounted to DKK 20.5 billion. Total REA for market risk came to DKK 42.4 billion at end-2022.

Nykredit Realkredit Group

Risk exposure amount – market risk

DKK million	2022	2021
Internal models (VaR)	34,167	15,578
Standardised approach	8,276	8,497
Total market risk exposure	42,443	24,075

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Nykredit Realkredit Group

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.

To mitigate its liquidity risks, Nykredit has a stock of liquid assets ensuring that Nykredit has a sizeable liquidity 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, 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 lays down a liquidity policy that 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, stress tests, Nykredit Bank's deposits, the use and diversification of funding sources, leverage, MREL, the debt buffer, rating criteria as well as future regulatory requirements.

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 at least 30 days.

At end-2022, Nykredit's LCR was 283% and the excess liquidity coverage was DKK 63.0 billion. The aggregate LCR of Nykredit's mortgage banks was 529%, while Nykredit Bank's LCR was 205%.

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 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. On 8 July 2022, a Pillar II requirement was introduced for the purpose of determining the liquidity coverage ratio, LCR. Specifically, this means that, going forward, cash outflows must be added to the LCR as previously calculated (Pillar I) for Nykredit Realkredit and Totalkredit to cover a potential liquidity requirement resulting partly from remortgaging where borrowers terminate an existing loan for prepayment without raising a new loan and partly from the liquidity risk related to borrowers in arrears. The Danish FSA has developed a calculation method which Nykredit has implemented. Moreover, Nykredit must include a Pillar II liquidity add-on to cover refinancing risk. This requirement must also be met with liquid assets but is not included in the calculation of the LCR. The calculation of the LCR Pillar I liquidity requirement now also includes mortgage cash flows falling due within the next 30 days, which have been excluded from the calculation so far in accordance with the exemption granted by the Danish authorities.

The Danish FSA has introduced an additional liquidity requirement concerning foreign currencies. Under this requirement, Nykredit must meet an LCR-like requirement 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-2022, Nykredit's LCR in EUR was 317%.

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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.

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

Operational risk

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

As part of operational risk management, Nykredit 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 29.7 billion in 2022.

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.

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

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

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

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

Nykredit 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

57. 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
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, 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)	
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	-	-	251	(1)	5	252
Swaps hedging interest rate risk of financial liabilities	(6)	(3,425)	(997)	(6)	(3,423)	(997)

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 1,4% or -0,4%.

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 53 and 54 which show offsetting and maturities relating to derivative financial instruments as well as "Hedge accounting" in accounting policies.

NOTES

DKK million

Nykredit Realkredit Group

57. 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
2021						
Assets						
Loans, advances and other receivables at amortised cost (interest rate risk)	-	-	-	179	182	3
Bonds at amortised cost	1,023	997	26	1,023	997	(26)
Liabilities						
Deposits and other payables (interest rate risk)	-	-	-	112	125	(13)
Bonds in issue at amortised cost (interest rate risk)	44,434	44,077	357	44,434	44,077	357
Subordinated debt (interest rate risk)	9,652	9,641	11	9,652	9,641	11
Derivative financial instruments						
Interest rate swaps, loans, advances and other receivables (net)	-	-	-	185	(3)	(3)
Interest rate swaps, bonds at amortised cost	-	-	-	1,023	26	26
Interest rate swaps, loans and advances as well as deposits and other payables (net)	-	-	-	112	14	14
Interest rate swaps, bonds in issue at amortised cost	44,434	(357)	(357)	44,434	(357)	(357)
Interest rate swaps, subordinated debt	9,652	(12)	(12)	9,652	(12)	(12)
Gain/loss for the year on hedging instruments		(646)			(647)	
Gain/loss for the year on hedged items		646			647	
Net gain/loss through profit or loss (ineffectiveness for the year)		-			-	

NOTES

Nykredit Realkredit Group

57. HEDGE ACCOUNTING (CONTINUED)

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

In 2022 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

57. HEDGE ACCOUNTING (CONTINUED)

Hedging derivative	Nominal value	Carrying amount assets	Carrying amount liabilities	P&L effect (hedge ineffectiveness)
Interest rate swaps, end-2022				
Cibor	214			
Euribor	60,403			
Libor	-			
Total 2022	60,617	3,806	52,007	(1)
Total 2021	55,406	1,182	53,843	-
Swaps: Carrying amount by time-to-maturity		2022	2021	
Up to 1 year		(7)	43	
Over 1 year and up to 5 years		(3,418)	(234)	
Over 5 years		(745)	(141)	
Total		(4,170)	(332)	

NOTES

DKK million

Nykredit Realkredit Group

58. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Financial items at amortised cost 2022	Financial items at fair value 2022	Financial items at amortised cost 2021	Financial items at fair value 2021
Assets				
Cash balances and receivables from credit institutions and central banks	61,242	-	45,294	-
Loans, advances and other receivables at fair value ¹	-	1,292,489	-	1,382,803
Loans and advances etc	125,028	-	125,796	-
Bonds	-	90,638	-	84,589
Positive market value of derivatives	-	7,981	-	16,935
Interest and administration margin income etc receivable	268	1,830	213	1,489
Total	186,537	1,392,938	171,302	1,485,816
Liabilities				
Payables to credit institutions and central banks	27,851	-	14,917	-
Deposits and other payables	113,657	-	100,076	-
Bonds in issue at fair value ²	-	1,254,959	-	1,362,926
Bonds in issue at amortised cost	61,251	-	59,991	-
Other non-derivative financial liabilities at fair value	-	8,837	-	10,830
Subordinated debt	10,136	-	10,737	-
Negative market value of derivatives	-	10,326	-	8,781
Interest etc payable	448	9,082	500	6,622
Total	213,343	1,283,205	186,221	1,389,158

¹ Loans, advances and other receivables at fair value include mortgage lending measured at fair value using the fair value option.

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

Nykredit Realkredit A/S		DKK million			
		2021	2022	2022	2021
		Nykredit Realkredit Group			
		59. CURRENCY EXPOSURE			
		By main currency, net			
150	2	USD	5	153	
0	1	GBP	(1)	1	
5	(1)	SEK	3	8	
0	2	NOK	4	1	
3	1	CHF	2	3	
0	0	CAD	0	(0)	
0	0	JPY	(0)	1	
(102)	(329)	EUR	(5)	129	
0	0	Other	0	0	
56	(324)	Total	7	295	
-	-	Exchange Rate Indicator 1	331	24	

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

60. EVENTS SINCE THE balance sheet date

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

NOTES

 Nykredit Realkredit Group

61. 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 5Profit (loss) for the year as % of business capital (RoAC)
(return on allocated capital)

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

Costs as % of income

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 relative to business capital. Profit corresponds to net profit or loss less interest expenses for Additional Tier 1 capital, which is treated as dividend in the Financial Statements. Business capital corresponds to a capital target of 16% of the risk exposure amount and minority interests' share of profit (loss).

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	2022	2021	2020	2019	2018
62. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	12,203	11,291	11,237	11,038	10,869
Net fee income etc	279	324	118	(264)	(337)
Net interest and fee income	12,483	11,615	11,355	10,774	10,532
Value adjustments	3,680	3,573	2,050	2,130	724
Other operating income	1,582	1,765	1,409	2,198	1,056
Staff and administrative expenses	5,791	5,661	5,290	4,830	4,609
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	294	444	294	305	103
Other operating expenses	235	236	176	191	154
Impairment charges for loans, advances and receivables etc	(80)	(115)	2,272	994	380
Profit (loss) from investments in associates and Group enterprises	9	7	8	5	(9)
Profit before tax	11,514	10,734	6,791	8,787	7,057
Tax	2,060	1,863	1,118	1,344	1,247
Profit for the year	9,454	8,870	5,673	7,443	5,810
SUMMARY BALANCE SHEET, YEAR-END					
	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Assets					
Cash balances and receivables from credit institutions and central banks	61,242	45,294	59,361	59,623	29,691
Mortgage loans at fair value	1,292,119	1,382,551	1,350,630	1,287,370	1,193,667
Bank loans excluding reverse repurchase lending	86,735	74,513	71,146	65,466	60,566
Bonds and equities etc	98,524	91,956	113,140	115,690	99,444
Remaining assets	61,509	79,158	71,491	82,188	64,624
Total assets	1,600,129	1,673,473	1,665,767	1,610,336	1,447,991
Liabilities and equity					
Payables to credit institutions and central banks	27,851	14,917	14,611	13,914	15,692
Deposits and other payables	114,550	100,076	97,987	100,677	93,191
Bonds in issue at fair value	1,254,959	1,362,926	1,366,709	1,336,414	1,196,229
Subordinated debt	10,136	10,737	10,893	11,004	11,011
Remaining liabilities	95,804	91,226	85,792	63,949	51,990
Equity	96,829	93,591	89,774	84,378	79,878
Total liabilities and equity	1,600,129	1,673,473	1,665,767	1,610,336	1,447,991
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	8,393	8,987	9,121	6,616	5,913
Other commitments	23,986	23,087	20,762	28,206	16,948
FINANCIAL RATIOS¹					
Total capital ratio, %	23.3	24.7	24.3	23.7	25.4
Tier 1 capital ratio, %	20.4	21.5	21.1	20.5	22.1
Return on equity before tax, %	12.1	11.7	7.8	10.7	8.9
Return on equity after tax, %	9.9	9.7	6.5	9.1	7.2
Income:cost ratio	2.85	2.72	1.85	2.39	2.36
Foreign exchange position, %	0.0	0.0	0.0	0.5	0.0
Loans and advances:equity (loan gearing)	14.6	16.1	16.3	16.6	16.2
Growth in loans and advances for the year, %	3.5	5.2	4.9	7.8	3.9
Impairment charges for the year, %	(0.01)	(0.01)	0.15	0.07	0.03
Return on capital employed, %	0.59	0.53	0.34	0.46	0.40

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 61.

NOTES

DKK million

Nykredit Realkredit A/S	2022	2021	2020	2019	2018
62. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	4,036	3,927	4,031	3,916	4,038
Net fee income etc	566	594	678	340	639
Net interest and fee income	4,602	4,520	4,709	4,256	4,678
Value adjustments	1,500	1,740	778	1,524	(375)
Other operating income	1,783	1,481	1,339	2,044	1,021
Staff and administrative expenses	3,194	3,112	2,874	2,642	2,767
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	253	408	253	278	93
Other operating expenses	203	202	138	167	131
Impairment charges for loans, advances and receivables etc	(506)	(157)	1,407	696	(37)
Profit from investments in associates and Group enterprises	5,476	5,339	3,828	3,957	3,925
Profit before tax	10,217	9,515	5,981	7,998	6,295
Tax	824	690	329	554	433
Profit for the year	9,393	8,825	5,652	7,443	5,861
SUMMARY BALANCE SHEET, YEAR-END					
	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Assets					
Cash balances and receivables from credit institutions and central banks	38,328	43,062	46,914	65,967	37,761
Mortgage loans at fair value	517,965	529,970	535,665	534,346	509,225
Totalkredit mortgage loan funding	811,577	902,631	876,618	842,624	712,600
Bonds and equities etc	39,786	35,370	47,244	40,341	39,613
Remaining assets	84,849	79,431	68,754	64,823	59,342
Total assets	1,492,504	1,590,464	1,575,194	1,548,102	1,358,540
Liabilities and equity					
Payables to credit institutions and central banks	10,107	2,879	1,458	2,562	1,094
Deposits and other payables	-	-	7,200	11,950	10,500
Bonds in issue	1,312,732	1,419,027	1,408,672	1,398,243	1,229,273
Subordinated debt	10,136	10,737	10,896	11,016	11,011
Remaining liabilities	62,814	64,320	57,290	40,010	26,779
Equity	96,715	93,501	89,678	84,321	79,883
Total liabilities and equity	1,492,504	1,590,464	1,575,194	1,548,102	1,358,540
OFF-BALANCE SHEET ITEMS					
Other commitments	11,323	8,615	9,514	14,376	7,392
FINANCIAL RATIOS¹					
Total capital ratio, %	18.5	18.5	19.6	19.1	20.9
Tier 1 capital ratio, %	16.2	16.1	17.1	16.7	18.1
Return on equity before tax, %	10.7	10.4	6.9	9.7	7.9
Return on equity after tax, %	9.9	9.6	6.5	9.1	7.4
Income:cost ratio	4.25	3.67	2.28	3.11	3.13
Foreign exchange position, %	-	-	-	0.2	0.0
Loans and advances:equity (loan gearing)	5.4	5.7	6.0	6.3	6.4
Growth in loans and advances for the year, %	5.2	0.4	0.1	4.6	(1.9)
Impairment charges for the year, %	(0.10)	(0.03)	0.26	0.13	0.00
Return on capital employed, %	0.63	0.55	0.36	0.48	0.42

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 61.

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DKK million

Nykredit Realkredit Group

	Ownership interest as %, 31 December 2022	Profit (loss) for 2022	Equity, 31 December 2022	Number of staff in 2022	Profit for 2021	Equity, 31 December 2021	Number of staff in 2021
63. GROUP STRUCTURE							
Name and registered office							
Nykredit Realkredit A/S (parent), Copenhagen, a)	-	9,393	96,715	2,772	8,825	93,501	2,660
Totalkredit A/S, Copenhagen, a)	100	2,714	37,249	249	2,414	38,726	241
Nykredit Bank A/S, Copenhagen, b)	100	2,686	33,404	756	2,759	30,743	705
Nykredit Portefølje Administration A/S, Copenhagen, f)	100	202	1,138	132	265	1,536	136
Nykredit Leasing A/S, Gladsaxe, e)	100	80	1,135	58	116	1,055	57
Sparinvest Holdings SE, Luxembourg, g)	79	222	195	1	79	177	-
Sparinvest Investment Solutions A/S, h)	100	0	1	-	1	8	-
Garanti Invest A/S, i)	100	0	20	-	0	20	-
Nykredit Mægler A/S, Copenhagen, c)	100	42	129	35	119	187	33
&Living Franchisegiver A/S, c) ¹	100	(5)	(4)	1	-	-	-
Kalvebod Ejendomme I A/S, Copenhagen, d)	100	37	660	-	37	623	-
Kirstinehøj 17 A/S, Copenhagen, d)	100	(0)	12	-	8	31	-

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.

	Number of staff	Revenue ²	Profit before tax	Tax	Government aid received
Geographical distribution of activities					
Denmark: Names and activities appear from the Group structure above	4,062	32,721	8,256	1,679	-
Luxembourg: Names and activities appear from the Group structure above	4,048	34,165	11,274	2,000	-

¹ In 2022, Nykredit Mægler A/S took over the remaining 50% of the shares in &Living Franchisegiver A/S (former Jesper Nielsen Franchisegiver A/S). In the current financial year, the company is a subsidiary.

² 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
- i) Activities auxiliary to financial service activities

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

63. GROUP STRUCTURE (CONTINUED)	Ownership interest as %, 31 December 2022	Revenue 2021	Profit (loss) for 2021	Assets, 31 December 2021	Liabilities, 31 December 2021	Equity, 31 December 2021	Nykredit's share of profit (loss) for 2021	Nykredit's share of equity value, 31 December 2021	Profit (loss) for 2020	Equity, 31 December 2020
Name and registered office										
Associates¹										
Bolighed A/S ² , a)	-	-	-	-	-	-	-	-	(1)	6
Boligsiden A/S, Copenhagen, a)	23	5	(3)	23	4	19	(1)	5	2	15
Komplementarselskabet Core Property Management A/S, Copenhagen, b)	20	0	0	4	3	1	0	0	1	2
Core Property Management P/S, Copenhagen, a)	20	144	32	60	6	54	6	11	34	58
E-nettet A/S, Copenhagen, c)	16	234	13	255	201	54	2	9	6	109
&money ApS, Copenhagen, e)	25	2	(2)	18	4	14	(0)	4	(1)	11

¹ Recognised on the basis of the latest annual reports or interim reports as at 30 September if annual reports are not available.

² The company was wound up in 2022 by means of a payment declaration and has not published financial statements for the financial year 2021.

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 2021 of Nykredit Realkredit.

The distribution of profit for 2021 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

2022	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	1.4	0.3	0.2	0.6	0.1	0.1
Administrative expenses	(0.3)	(0.1)	(0.0)	(0.1)	(0.0)	(0.0)
Write-offs and impairment charges for loans and advances	0.0	(0.0)	0.0	0.0	0.0	0.0
Tax	(0.3)	(0.1)	(0.0)	(0.1)	(0.0)	(0.0)
Profit	1.1	0.5	0.1	0.4	0.1	0.1
Balance sheet						
Assets						
Mortgage loans etc	73.9	80.4	1.8	5.4	2.0	1.4
Remaining assets	29.0	7.1	2.5	9.1	1.4	1.5
Total assets	102.9	87.5	4.2	14.5	3.4	2.9
Liabilities and equity						
Bonds in issue etc	80.6	80.5	2.0	5.9	2.6	1.9
Remaining liabilities	5.2	4.4	0.2	0.7	0.3	0.1
Equity	17.1	2.6	2.0	7.8	0.5	0.9
Total liabilities and equity	102.9	87.5	4.2	14.5	3.4	2.9
Movements in capital, net	(0.3)	(0.8)	(0.9)	0.0	(0.3)	(0.4)
2022	7	8	9 Total			
	HUSM	JLKR	(1-8)			
Income statement						
Income from lending	0.0	0.0	0.9			
Interest etc, net	0.1	0.0	2.7			
Administrative expenses	(0.0)	(0.0)	(0.6)			
Write-offs and impairment charges for loans and advances	0.0	0.0	-			
Tax	(0.0)	(0.0)	(0.7)			
Profit	0.1	0.0	2.4			
Balance sheet						
Assets						
Mortgage loans etc	1.5	1.0	167.4			
Remaining assets	1.3	0.7	52.5			
Total assets	2.8	1.7	219.9			
Liabilities and equity						
Bonds in issue etc	1.7	1.1	176.2			
Remaining liabilities	0.1	0.1	11.2			
Equity	0.9	0.5	32.4			
Total liabilities and equity	2.8	1.7	219.9			
Movements in capital, net	0.0	(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

2022	10	11	12 Total	13	14 Total
	LRR	NYK	(10-11)	INST	(9,12,13)
Income statement					
Income from lending	74.9	3,658.6	3,733.5	1.6	3,736.0
Interest etc, net	36.3	3,055.1	3,091.5	4,514.8	7,609.0
Administrative expenses	(7.8)	(656.1)	(663.9)	(969.5)	(1,634.0)
Write-offs and impairment charges for loans and advances	(5.8)	502.9	497.1	9.3	506.4
Tax	(21.5)	(1,443.3)	(1,464.8)	641.1	(824.4)
Profit	76.2	5,117.2	5,193.4	4,197.3	9,393.1
Balance sheet					
Assets					
Mortgage loans etc	10,963.5	507,159.5	518,123.0	181.1	518,471.5
Remaining assets	1,408.2	972,653.0	974,061.2	64,368.6	1,038,482.2
Total assets	12,371.7	1,479,812.4	1,492,184.1	64,549.7	1,556,953.7
Liabilities and equity					
Bonds in issue etc	11,474.7	1,373,380.9	1,384,855.6	205.2	1,385,237.0
Remaining liabilities	625.6	74,831.0	75,456.7	3,264.1	78,732.0
Equity	271.4	31,600.4	31,871.9	61,080.4	92,984.7
Total liabilities and equity	12,371.7	1,479,812.4	1,492,184.1	64,549.7	1,556,953.7
Movements in capital, net	(128.2)	(548.2)	-	3,886.7	-
1 Københavns Kreditforening	6 Den vest- og sønderjydske Kreditforening	11 Nykredit (including Capital Centres C, D, E, G, H, I & J)			
2 Fyens Stifts Kreditforening	7 Jydsk Husmandskreditforening	12 Total (10-11) Foreninger efter 1972			
3 Landkreditkassen	8 Jydsk Landkreditforening	13 Nykredit Realkredit In General			
4 Østifternes Husmandskreditforening	9 Total (1-8) Foreninger før 1972	14 Total (9, 12, 13) Nykredit Realkredit A/S			
5 Sønderjyllands Kreditforening	10 LR Realkredit				

MANAGEMENT COMMENTARY, (CONTINUED)

DKK million

Notes	
1. Assets, Series Financial Statements	
Assets in Nykredit Realkredit A/S's Financial Statements, end-2022	1,492,504.0
Assets, Series Financial Statements	1,556,953.7
Difference	(64,449.7)
Specified as follows:	
Set-off of self-issued ROs, self-issued SDOs, self-issued senior secured debt and other self-issued securities	(64,039.3)
Set-off of interest receivable from self-issued bonds etc	(410.5)
Total	(64,449.7)
2. Equity, Series Financial Statements	
Equity in Nykredit Realkredit A/S's Financial Statements, end-2022	96,714.7
Of which holders of Additional Tier 1 capital	(3,751.1)
Provisions for repayable reserves in pre-1972 series	21.1
Equity, Series Financial Statements	92,984.7

MANAGEMENT COMMENTARY (CONTINUED)

Nykredit Realkredit Group

Financial calendar 2023

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

BOARD OF DIRECTORS

The Board of Directors meets monthly, except in July, and holds a strategy seminar once a year.

The Board members are elected for a term of one year. The latest election took place on 24 March 2022. Re-election is not subject to any restrictions.

Below, an account is given of the individual director's position, age, gender and years of service on the Board, 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 on 24 March 2010

Non-independent director – more than 12 years on the Board of Directors

Board of Directors, meetings attended in 2022: 11/11

Chair of the Board Nomination Committee, meetings attended in 2022: 3/3

Chair of the Board Remuneration Committee, meetings attended in 2022: 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:

Nykredit A/S

Københavns Universitet

Rockwool Fonden

Deputy Chair of:

Egmont Fonden

Egmont International Holding A/S

Director of:

Ejendomsselskabet Gothersgade 55 ApS

Ejendomsselskabet Vognmagergade 11 ApS

Justitia

Kalaallit Airports International A/S

Molslinjen A/S**

Molslinjen Group ApS*

Rambøll Gruppen 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 on 25 March 2021

Non-independent director in view of directorship in Forenet Kredit f.m.b.a.

Board of Directors, meetings attended in 2022: 11/11

Member of the Board Audit Committee, meetings attended in 2022: 6/6

Member of the Board Nomination Committee, meetings attended in 2022: 1/3*

Member of the Board Remuneration Committee, meetings attended in 2022: 1/3*

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

Chair of:

Slagteriernes Arbejdsgiverforening**

Deputy Chair of:

Nykredit A/S*

Forenet Kredit f.m.b.a.*

Agri-Norcold A/S**

Daka Denmark A/S**

Director of:

Danish Crown Foods A/S**

DAT-Schaub A/S**

Sokolow S.A**

Other:

Expert assessor of the Danish Maritime and Commercial High Court

Olav Bredgaard Brusen***

Deputy Chair of Finansforbundet NYKREDS

Date of birth: 8 May 1968

Gender: Male

Joined the Board on 16 March 2016

Board of Directors, meetings attended in 2022: 11/11

Board expertise:

Expert knowledge:

Sector and real estate expertise
Market conditions, customer relations and sales
Organisation/HR and processes
Politics, public administration and associations

Director of:

Nykredit A/S

Member of the committee of representatives of:

Forenet Kredit f.m.b.a.

MANAGEMENT COMMENTARY (CONTINUED)

Nykredit Realkredit Group

Michael Demsitz

Former Chief Executive Officer

Date of birth: 1 February 1955

Gender: Male

Joined the Board on 31 March 2004

Non-independent director in view of directorship in Forenet Kredit f.m.b.a.

Board of Directors, meetings attended in 2022: 11/11

Member of the Board Audit Committee, meetings attended in 2022: 6/6

Member of the Board Nomination Committee, meetings attended in 2022: 1/3*

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:

Byggeskedefonden**

Forenet Kredit f.m.b.a.*

Nykredits Fond*

NAB, Nakskov Almene Boligselskab*

Director of:

Nykredit A/S

BL – Danmarks Almene Boliger**

Per W. Hallgren

Chief Executive Officer

Date of birth: 8 July 1962

Gender: Male

Joined the Board on 16 March 2016

Non-independent director in view of directorship in Forenet Kredit f.m.b.a.

Board of Directors, meetings attended in 2022: 11/11

Member of the Board Nomination Committee, meetings attended in 2022: 3/3

Member of the Board Audit Committee, meetings attended in 2022: 6/6

Chair of the Board Risk Committee, meetings attended in 2022: 6/6

Member of the Board Remuneration Committee, meetings attended in 2022: 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:

CEJ Ejendomsadministration A/S

CEJ Aarhus 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

Director of:

Forenet Kredit f.m.b.a.

Nykredit A/S

Erik Fjeldsøe Fonden

Foreningen Ofelia Plads

Real Care Association

Jørgen Høholt

Former Banking Executive

Date of birth: 9 December 1958

Gender: Male

Joined the Board on 26 March 2020

Independent director

Board of Directors, meetings attended in 2022: 11/11

Chair of the Board Audit Committee, meetings attended in 2022: 5/6

Member of the Board Risk Committee, meetings attended in 2022: 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

Deputy Chair of:

DKT Finance ApS

DKT Holdings ApS

DK Telekommunikation ApS

TDC Holding A/S*

Director of:

Nykredit A/S

ATP Real Estate Partners I K/S

ATP Ejendomme A/S

EKF Danmarks Eksportkredit

Eksport Kredit Finansiering A/S

Norsad Finance Limited

Danmarks Eksport- og Investeringsfond*

MANAGEMENT COMMENTARY (CONTINUED)

 Nykredit Realkredit Group

<p>Other: Member of Advisory Board for Kirk Kapital A/S Special Adviser to ATP Senior Adviser to Investeringsfonden for Udviklingslande (IFU)</p>	<p>Vibeke Krag Former Chief Executive Officer</p> <p>Date of birth: 3 November 1962 Gender: Female Joined the Board on 16 March 2017 Independent director</p>	<p>Allan Kristiansen*** Chief Relationship Manager</p> <p>Date of birth: 6 March 1958 Gender: Male Joined the Board on 12 April 2000</p>
<p>Hans-Ole Jochumsen Former Vice Chairman</p> <p>Date of birth: 14 November 1957 Gender: Male Joined the Board on 22 March 2018 Independent director</p>	<p>Board of Directors, meetings attended in 2022: 11/11 Member of the Board Risk Committee, meetings attended in 2022: 6/6</p> <p>Board expertise: In-depth knowledge:</p> <ul style="list-style-type: none"> ■ Digitisation, IT and processes ■ Financial regulation ■ Risk management and credit matters ■ Corporate governance ■ Economics, finance and accounting 	<p>Board of Directors, meetings attended in 2022: 10/11</p> <p>Board expertise: In-depth knowledge:</p> <ul style="list-style-type: none"> ■ Capital markets, securities and funding ■ Market conditions, customer relations and sales <p>Expert knowledge:</p> <ul style="list-style-type: none"> ■ Sector and real estate expertise ■ Financial regulation ■ Risk management and credit matters ■ Strategic matters ■ Economics, finance and accounting
<p>Board of Directors, meetings attended in 2022: 11/11 Member of the Board Risk Committee, meetings attended in 2022: 6/6</p> <p>Board expertise: In-depth knowledge:</p> <ul style="list-style-type: none"> ■ 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 	<p>Expert knowledge:</p> <ul style="list-style-type: none"> ■ Sector and real estate expertise ■ Capital markets, securities and funding ■ Market conditions, customer relations and sales ■ Organisation/HR and processes ■ Strategic matters <p>Director of: Nykredit A/S Arbejdsmarkedets Fond for Udstationerede (AFU) Arbejdsmarkedets Tillægspension (ATP) Gjensidige Forsikring ASA Heimstaden AB Heimstaden Bostad AB (publ) Lønmodtagernes Garantifond (LG) Seniorpensionsenheden</p>	<p>Expert knowledge: Director of: Nykredit Bank A/S Nykredit A/S</p>
<p>Chair of: NDX Interessenter AB Nordax Bank AB Nordax Group AB</p>	<p>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</p>	
<p>Director of: Nykredit A/S CC&G*</p>		
<p>Other: Industrial Advisor to AirFinity Ltd Member of Advisory Board for Concordium Member of expert panel under the board of directors of the Danish Financial Supervisory Authority Senior Adviser to Alkymi</p>		

MANAGEMENT COMMENTARY (CONTINUED)

Nykredit Realkredit Group

Mie Krog*

Chief Executive

Date of birth: 14 March 1968

Gender: Female

Joined the Board on 24 March 2022

Non-independent director in view of directorship in Forenet Kredit f.m.b.a.

Board of Directors, meetings attended in 2022: 7/11

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:

All Styles A/S

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

Director of:

Forenet Kredit f.m.b.a.*

Nykredit A/S*

Ejendomsselskabet Plantorama A/S

Imerco A/S

Imerco Holding A/S

Plantorama A/S

Plantorama Holding A/S

Norlys TV & Internet A/S*

STOFA A/S*

Inge Sand***

Chair of Finansforbundet NYKREDS

Date of birth: 13 March 1965

Gender: Female

Joined the Board on 16 March 2016

Board of Directors, meetings attended in 2022: 11/11

Member of the Board Remuneration Committee, meetings attended in 2022: 1/3*

Board expertise:

In-depth knowledge:

- Market conditions, customer relations and sales

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

Director of:

Nykredit A/S

Den Sociale Fond i Nykredit*

Nykredits Fond*

Finansforbundets hovedbestyrelse*

Member of the committee of representatives of:

Forenet Kredit f.m.b.a.

VELLIV Foreningen**

Kristina Andersen Skiold***

Customer Adviser

Date of birth: 15 September 1984

Gender: Female

Joined the Board on 26 March 2020

Board of Directors, meetings attended in 2022: 11/11

Member of the Board Remuneration Committee, meetings attended in 2022: 2/3*

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

Director of:

Nykredit A/S

Den Sociale Fond i Nykredit**

Finanskompetencepuljen**

Nykredits Fond**

Finansforbundets hovedbestyrelse**

Member of the committee of representatives of:

Forenet Kredit f.m.b.a.

Resigned on 24 March 2022:

Nina Smith

Professor

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 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:

Nykredit Bank A/S

Totalkredit A/S

Investeringsfonden for Udviklingslande (IFU)

Sparinvest Holdings SE

Sund og Bælt Holding A/S

Deputy Chair of:

Copenhagen Business School Handelshøjskolen

Finans Danmark

FR I af 16. september 2015 A/S*

Director of:

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

Tonny Thierry Andersen
 Group Managing Director

Date of birth: 30 September 1964

Gender: Male

Joined the Executive Board on 1 June 2019

 Managing Director of:
 Nykredit Realkredit A/S

Director 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:

BEC Financial Technologies AMBA

Kalvebod Ejendomme I A/S

Kirstinehøj 17 A/S

JN Data A/S*

Deputy Chair of:

Totalkredit A/S

Director of:

Nykredit Bank A/S

CBS Executive Fonden

Landsdækkende Banker

Other:

Member of Tilsynet med Efterretningstjenesterne**

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:

Nykredit Bank A/S

Director of:

Bokis A/S

Foreningen Dansk Skoleskak

Grænsefonden

Niels Brock Copenhagen Business College

Niels Brock International A/S

Totalkredit A/S

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Joined in 2022

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Resigned in 2022

Staff-elected member