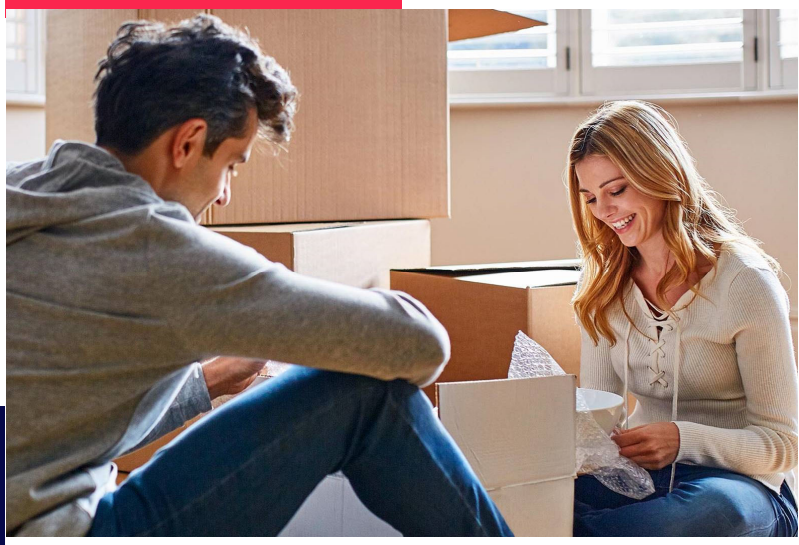
# Nykredit Realkredit Group



# Annual Report 2021

Godkendt på selskabets generalforsamling
den 24. marts 2022

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Michael Bank, dirigent

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# FOREWORD

2021 was yet another year marked by the global pandemic. Having briefly returned to more normalised society and everyday life, Denmark as well as the rest of the world ended the year back where we started – with high infection rates and new lockdowns. However, the year also ended with budding optimism and a belief that life as we know it will come back.

Despite constant change, again in 2021 Nykredit maintained its position of strength. The financial results announced today not only exceed our expectations but are the Nykredit Group's best ever. We owe a special thanks to all our Nykredit colleagues for their strong dedication again this year under very challenging conditions.

Our highly satisfactory results partly build on the continued business growth in recent years all across the Nykredit Group. In 2021 we also welcomed many new customers in both Nykredit Bank and Totalkredit. We are pleased to get the opportunity to demonstrate to customers all across the country the benefits of our unique ownership structure, allowing us to share our success with customers in both Totalkredit and Nykredit, in the form of the KundeKroner and ErhvervsKroner benefits programmes and a number of mutual benefits.

However, it should be noted that part of the record-high performance in 2021 was driven by factors beyond our control. We successfully managed our own portfolios and also benefited from market tailwinds. The same goes for derivatives, which were supported by a favourable interest rate development. We have a strong credit quality; first and foremost by virtue of effective credit management over the years but also a Danish economy in good shape. This combination resulted in low impairments in the wake of covid-19. Nevertheless, we maintain provisions for covid-19-induced losses. We cannot depend on similar tailwinds in the markets and the economy in the years to come, which is why our earnings guidance for 2022 is lower than that realised in 2021.

### Winning the Double 2.0 sets the strategic course

In 2019 we updated our strategy, Winning the Double, which continues to be our strategic guidepost. We have three overarching strategic objectives:

- 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.

### Business and customer growth in Nykredit Bank

2021 was yet another year with high business and customer growth in Nykredit Bank. We also saw significant growth in assets under management, particularly in Sparinvest, which is a part of Nykredit Wealth Management. In Sparinvest, assets under management grew by 39% in 2021 – not least thanks to good collaboration with our Sparinvest partners.

We share Nykredit Bank's success with customers via eg our mutual benefits programme, ForeningsFordele, launched in early 2021. At the beginning of 2022, we were able to give DKK 95 million back to our customers as part of the customer benefits programme.

### Totalkredit provides lending throughout Denmark

Totalkredit recorded continued business and lending growth across the country with increased lending in 97 out of 98 Danish municipalities in 2021. We are proud of this achievement, which was possible thanks to the alliance with the Totalkredit partner banks that provide sound, local advisory services throughout Denmark. On top of that, the partner banks can offer the lowest administration margin payments on the most popular loans right now.

In 2021 the Danish Consumer Council renewed its recommendation of Totalkredit as the Danish mortgage lender offering the lowest mortgage prices in the market. One of the reasons for this is KundeKroner – one of several mutual benefits that we are able to offer our customers because we are owned by an association of customers, Forenet Kredit. We continue to further develop the Totalkredit alliance – to the benefit of customers, partner banks and the Nykredit Group.

### We facilitate green choices

One of our main objectives is for Nykredit 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 already significantly reduced our own carbon footprint and are now focusing on making a difference together with our customers.

Thanks to a green contribution of DKK 200 million from our majority owner, Forenet Kredit, we are uniquely positioned to launch products, making it easier and more affordable for our customers to make green choices. In 2021 customers truly embraced the green products, and we have also introduced new green initiatives during the year – via Totalkredit as well as Nykredit Bank. Today, we offer green propositions for personal and business customers as well as agriculture and investment.

In 2021 we removed the trading commission for personal customers investing in funds that carry the Nordic Swan Ecolabel. Public housing associations are offered a discount on green construction loans for new building and energy renovation. Our agricultural customers are offered fee-free withdrawal of land and green machinery leasing. Totalkredit customers are offered a discount on home energy check-ups (Energitjek) and a cash grant of DKK 10,000 to customers who replace their oil-fired boilers with heat pumps.

### We continue to give money back to our customers

At Nykredit, we share our success with our customers. In 2021 we paid back more than DKK 1,700 million to homeowners, businesses and agricultural customers in the form of eg mortgage discounts (KundeKroner and ErhvervsKroner). Based on our highly satisfactory financial performance in 2021 and our strong capital position, it is recommended to the Annual General Meeting that Nykredit distribute ordinary dividend of DKK 4,350 million. Forenet Kredit's share of the dividend will be DKK 3,432 million.

Yours sincerely

Merete Eldrup
Chair

Michael Rasmussen
Group Chief Executive

# NYKREDIT'S BUSINESS MODEL

# FINANCIAL HIGHLIGHTS

DKK million

| Nykredit Realkredit Group | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| **BUSINESS PROFIT AND PROFIT FOR THE YEAR** | | | | | |
| Net interest income | 9,978 | 9,780 | 9,344 | 9,226 | 9,006 |
| Net fee income | 2,406 | 2,438 | 2,763 | 1,950 | 2,470 |
| Wealth management income | 2,324 | 1,950 | 1,610 | 1,361 | 1,402 |
| Net interest from capitalisation | (484) | (421) | (352) | (356) | (360) |
| Net income relating to customer benefits programmes[1] | (414) | (203) | (358) | (248) | - |
| Trading, investment portfolio and other income | 2,718 | 1,026 | 1,649 | 89 | 1,492 |
| **Income** | **16,529** | **14,569** | **14,655** | **12,023** | **14,010** |
| Costs | 6,343 | 5,762 | 5,326 | 4,865 | 4,977 |
| **Business profit before impairment charges** | **10,186** | **8,807** | **9,329** | **7,157** | **9,033** |
| Impairment charges for loans and advances | (115) | 2,272 | 994 | 380 | 379 |
| **Business profit** | **10,302** | **6,535** | **8,335** | **6,777** | **8,653** |
| Legacy derivatives | 432 | 258 | (112) | 280 | 1,517 |
| Badwill, impairment of goodwill and amortisation of customer relationships | 0 | (2) | 564 | - | - |
| **Profit before tax for the year** | **10,733** | **6,791** | **8,787** | **7,057** | **10,170** |
| Tax | 1,863 | 1,118 | 1,344 | 1,247 | 2,039 |
| **Profit for the year** | **8,870** | **5,673** | **7,443** | **5,810** | **8,130** |
| Other comprehensive income, value adjustment of strategic equities | **0** | **0** | **0** | **0** | **-6** |
| Other comprehensive income, remaining items | (19) | (26) | 22 | (7) | 1 |
| **Comprehensive income for the year** | **8,852** | **5,646** | **7,465** | **5,803** | **8,125** |
| Interest on Additional Tier 1 capital charged against equity | 153 | 233 | 233 | 233 | 233 |
| Minority interests | 45 | 21 | (1) | - | - |
| | | | | | |
| **SUMMARY BALANCE SHEET** | | | | | |
| Assets | 31.12.2021 | 31.12.2020 | 31.12.2019 | 31.12.2018 | 31.12.2017 |
| Receivables from credit institutions and central banks | 45,294 | 59,361 | 59,623 | 29,691 | 48,031 |
| Mortgage loans at fair value | 1,382,551 | 1,350,630 | 1,287,370 | 1,193,667 | 1,163,879 |
| Bank loans excluding reverse repurchase lending | 74,513 | 71,146 | 65,466 | 60,566 | 55,783 |
| Bonds and equities | 92,955 | 113,776 | 115,690 | 99,444 | 102,125 |
| Remaining assets | 78,160 | 70,854 | 82,188 | 64,624 | 56,992 |
| **Total assets** | **1,673,473** | **1,665,767** | **1,610,336** | **1,447,991** | **1,426,810** |
| Liabilities and equity | | | | | |
| Payables to credit institutions and central banks | 14,917 | 14,611 | 13,914 | 15,692 | 13,319 |
| Deposits excluding repo deposits | 92,696 | 88,113 | 85,396 | 76,946 | 75,914 |
| Bonds in issue at fair value | 1,362,926 | 1,366,709 | 1,336,414 | 1,196,229 | 1,179,093 |
| Subordinated debt | 10,737 | 10,893 | 11,004 | 11,011 | 10,942 |
| Remaining liabilities | 98,606 | 95,666 | 79,230 | 68,236 | 68,695 |
| Equity | 93,591 | 89,774 | 84,378 | 79,878 | 78,847 |
| **Total liabilities and equity** | **1,673,473** | **1,665,767** | **1,610,336** | **1,447,991** | **1,426,810** |
| | | | | | |
| **FINANCIAL RATIOS** | | | | | |
| Profit for the year as % pa of average business capital (ROAC)[2] | 13.4 | 8.6 | 12.4 | 10.2 | 14.5 |
| Profit for the year as % pa of average equity[3] | 9.8 | 6.6 | 9.3 | 7.5 | 11.0 |
| Costs as % of income | 38.4 | 39.5 | 36.3 | 40.5 | 35.5 |
| Total provisions for loan impairment and guarantees | 9,601 | 9,906 | 8,033 | 8,184 | 7,915 |
| Impairment charges for the year, % | (0.01) | 0.15 | 0.07 | 0.03 | 0.03 |
| Total capital ratio, % | 24.7 | 24.3 | 23.7 | 25.4 | 25.3 |
| Common Equity Tier 1 capital ratio, % | 20.6 | 20.2 | 19.5 | 21.0 | 20.6 |
| Internal capital adequacy requirement, % | 11.2 | 11.0 | 10.9 | 10.0 | 10.2 |
| Average number of staff, full-time equivalent | 3,907 | 3,799 | 3,515 | 3,382 | 3,505 |

[1] Fee income pertaining to Shared Valuation has been reclassified from "Trading, investment portfolio and other income" to "Net fee income". Comparative figures have been restated.
[2] "Net income relating to customer benefits programmes" is described in detail in "Alternative performance measures" on page 45.
[3] "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.
[4] "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.

## WINNING THE DOUBLE 2.0

We call the Nykredit Group strategy Winning the Double 2.0. The strategy builds on the ambition of consolidating the Group's strategic foundation by growing the number of full-service relationships among homeowners, private banking, business and agricultural customers and by strengthening the Totalkredit alliance. We also have a clear ambition of being the customer-owned, responsible financial provider for people and businesses all over Denmark.

We have three overarching strategic objectives:

1. to expand our banking market position by gaining more full-service customer relationships
2. to secure our future position as market leader in home financing
3. to be the customer-owned, responsible financial provider for people and businesses all over Denmark.

To achieve all three objectives, we are expanding our joint development activities with our Totalkredit partner banks. In 2014, the partnership only included two-tier lending. Now the partnership comprises a broad and competitive selection of products within mortgage financing, wealth and pension services, insurance, digital propositions and sustainable solutions. We also have a number of shared solutions, and we remain committed to strengthening our close alliance with the Totalkredit partner banks, which make up a unique and strong distribution network with extensive local knowledge all across Denmark. The currently increasing pressure on the costs and general business model of the financial sector creates an even stronger argument for leveraging the scaling benefits of joining forces in areas such as development, infrastructure and process optimisation to the advantage of customers as well as banks. Developments since 2014 have illustrated the strength of prioritising joint solutions and confirmed the need to maintain and continue to propel the alliance forward.

Nykredit's majority owner, Forenet Kredit, wants the dividend it receives from the Nykredit Group to benefit our customers. The benefits we offer as a financial mutual create a strong vantage point for our three overarching objectives, and in 2021 we paid back an aggregate amount of more than DKK 1,700 million to customers of Nykredit and Totalkredit. Since 2017 our mutual benefits have resulted in KundeKroner discounts to all customers with a Totalkredit mortgage loan and has subsequently been expanded with 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.

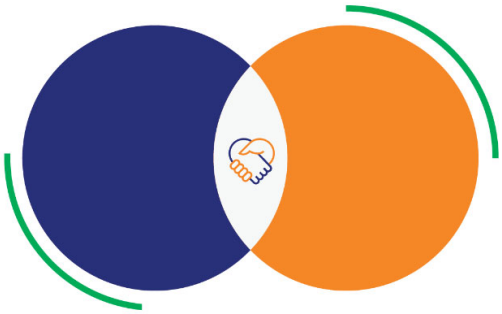
### Strategic development in 2021

Our Winning the Double 2.0 strategy steered Nykredit well through the covid-19 pandemic in 2021; we stayed the course, pursuing our strategic business objectives all the while supporting our customers through the pandemic.

Despite the continued uncertainty resulting from covid-19, the Nykredit Group's underlying business developed positively and satisfactorily in 2021. Since end-2020, more customers have joined us, and we have recorded growth in mortgage lending as well as bank lending. The Group ended the year in a position of strength with a strong Group image and continued high customer and staff satisfaction. On balance, the Nykredit Group is strongly poised for additional growth in 2022.

As a result of Nykredit's current business momentum and strong market position, we have decided to further accelerate the ambitions set out in Winning the Double 2.0 in the coming years by launching new customer-facing business initiatives reaching across Nykredit's objectives. In addition, we have earmarked funds for further digitisation and streamlining of business-side priorities.

A distinctive element of Winning the Double 2.0 was the launch of Nykredit's new non-life insurance partnership with Privatsikring in 2021. Together with our partners, Nykredit is now able to offer our banking customers leading insurance products under the new partnership with Codan, the insurer behind Privatsikring. This is a clear example of how we want to expand and strengthen collaboration with our Totalkredit partner banks. The new agreement will benefit our customers, our partner banks as well as Codan and Nykredit and illustrates the strength of Nykredit and the Totalkredit partner banks joining forces. Another example is Nykredit's new fund set up to help regional and local partner banks meet the MREL requirement. A requirement which – in the longer term – could weaken the possibilities of partner banks to increase business volumes.



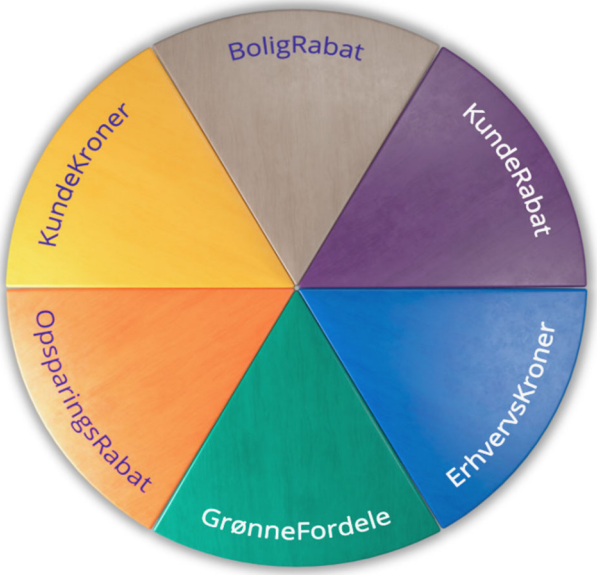
### Focus on full-service relationships

The Group's ambition to expand Nykredit's banking position resulted in customer growth and increasing business volumes from personal as well as business customers in 2021.

As part of our effort to expand our banking position, we implemented and scheduled a number of initiatives over the year. For example, we launched a new business banking campaign, involving improved servicing of and a stronger focus on the Group's business customers. For our personal customers, we enhanced our propositions with the introduction of mutual benefits, which serve to expand our strong customer benefits programme with a string of new benefits. As a result, Nykredit has once again enhanced our value propositions to personal as well as business customers by introducing a number of new, green products and initiatives, which make green choices even more attractive to the customers.

The Group's business development efforts have furthermore been dominated by the development of digital solutions for the Group's personal and business customers. Improvements have been made to Nykredit's advisory platform, aimed at enhancing the customer experience by providing a more modern and intuitive system to support and supplement our personal advisory services.

The acquisition of Sparinvest has consolidated Nykredit's already strong position in the Danish market for wealth and asset management services. It underlines the Group's strategic ambitions in the wealth management area and is yet another initiative to expand collaboration with the Totalkredit partner banks. We also recently launched a new investment account, Investeringskonto FRI, in concert with a number of our partner banks, which illustrates the development power of joint solutions. Once again, Wealth Management was recognised with domestic and international awards, and the Danes named Nykredit the best private banking provider in Denmark for the fifth consecutive year in a survey conducted by Prospera, a market research company.




**Strengthening the Totalkredit alliance**

As described, in 2021 we further expanded and consolidated our alliance with the Totalkredit partner banks. Partner satisfaction remained at the record-high level seen in 2020. A key driver behind Totalkredit's business growth is the strong distribution power all across the country, which provided lending growth in most areas of Denmark in 2021. Over the past year, the network of banks distributing Totalkredit's business mortgages has also been expanded, and growth in lending has been satisfactory.

For the second consecutive year, the Danish Consumer Council recommended and ranked Totalkredit's mortgage loans the most attractive. This shows the strength of being a mutual company, as the KundeKroner discounts contribute to ensuring attractive and competitive products. Totalkredit also has the highest customer satisfaction score among mortgage providers.

In early 2021 Totalkredit focused on the launch of a new fixed-rate loan, FastRente+, with a 30-year interest-only option. Customers widely embraced FastRente+, and the take-up was satisfactory. Furthermore, Totalkredit launched a home energy check-up concept to help customers optimise home energy efficiency.

Totalkredit remains focused on developing digital propositions, the new mortgage lending platform (NRP) and the digital platform "Mit hjem" being the key elements used to ensure modern digital processes aligned with the needs of customers and partner banks. NRP 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 partner banks have started using the new platform for loan remortgaging, and it got a very positive response. The next major loan process to be implemented under the programme is change of ownership. The digital homeowner site Mit hjem was launched in 2021 and integrated into the online banking services of the partner banks, and it is now also possible to log into the site via MitHjem.dk. In 2022 the site will be enhanced with additional functionality and user options.

**Corporate responsibility**

For additional information on Nykredit's corporate responsibility performance and Nykredit's statutory disclosure, please refer to our CR Report 2021 at nykredit.com/ corporate responsibility. The report includes our:

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

The Corporate Responsibility Report 2021 is supplemented with Nykredit's Sustainability Fact Book 2021, which is also available at Nykredit.com/corporate responsibility. Information on corporate governance is available at nykredit.com/corporategovernance

Based on our objective of being the customer-owned, responsible financial provider for people and businesses all over Denmark, in 2021 Nykredit continued to integrate corporate responsibility and sustainability into our organisation, including the business strategies of the Group's main business areas. We have translated this objective into new specific initiatives and products to the benefit of society and our customers.

The Group's strategic focus with respect to corporate responsibility is to support development and growth throughout Denmark, contributing to a greener Denmark, through responsible business practices. This is illustrated in the figure below and supported by 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."**

An essential part of our corporate responsibility is to ensure access to affordable, secure financing in all parts of Denmark.

Being able to offer mortgage loans is an important part of Danish banking, as home financing is often a fundamental part of business models and customer requirement. Through the extensive branch network of the Totalkredit alliance, partner banks are able to offer 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 communities through their lending activities and local engagement. Thanks to the alliance, the Nykredit Group is a major loan provider to the rural districts.

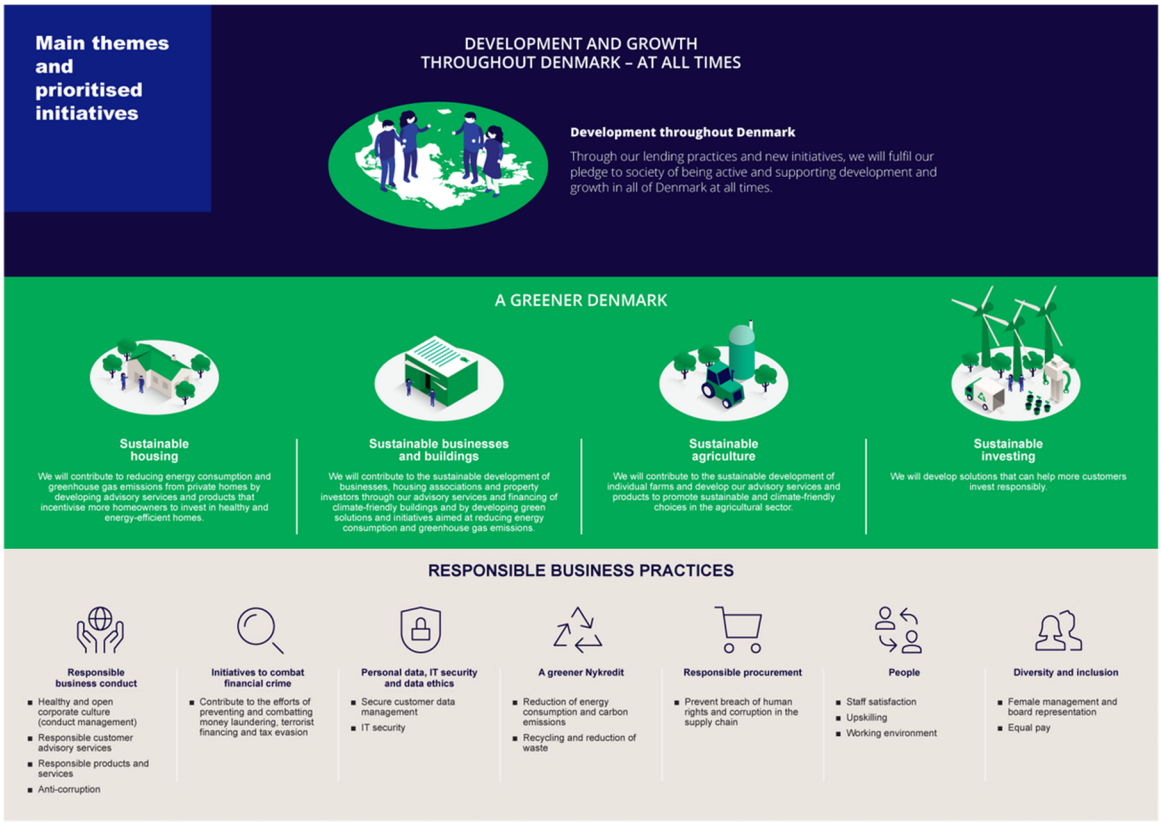
The climate continues to be a fundamental, global societal challenge, and in 2021 Nykredit's efforts were devoted to providing solutions in areas where we can make the biggest difference.

We are striving to reduce emissions from our own operations and from our lending and investments, thereby contributing to the goals of the Paris Climate Agreement and the targets set for 2030 in the Danish Climate Act. We determine the carbon footprint of our lending and investment activities based on Finance Denmark's manual on carbon emissions to ensure transparency and to ensure that we take action in areas with the highest environmental impact.

Specifically, the Nykredit Group has decided that the advisory services, products and solutions we offer must make it easier and more affordable for our customers to make green choices. A green contribution of DKK 200 million from our majority shareholder, Forenet Kredit, earmarked for green initiatives at Nykredit and Totalkredit, has given us unique opportunities for supporting our customers' green transition. In 2021 customers truly embraced the first of these products. This applies eg to Nykredit's green home loans (Grønt BoligLån), green car loans (Grønt Billån) and Totalkredit's initiative to replace oil-fired boilers.

At the same time, the Group launched new initiatives partly funded by contributions from our majority owner in 2021 that will:

- lower the costs of sustainable investing for personal customers
- lower the costs of green construction and energy renovation in the public housing sector
- make withdrawal of low-laying land from agricultural use easier for farmers.



The Nykredit Group collaborates with the agricultural sector on its green transition; in 2021, we upskilled our agricultural advisers in sustainability and extended our low-cost green technology financing proposition. Nykredit's majority owner, Forenet Kredit, and SEGES have joined forces to launch a new digital climate tool for the agricultural sector and a climate training programme for farmers and agricultural science students. Nykredit liaises closely with Forenet Kredit and SEGES and will use the data retrieved from the climate tool to strengthen credit assessments, optimise advisory services and support the sector-wide dialogue on how the financial sector best supports the green transition of the agricultural sector.

Nykredit is offering businesses financing of climate-friendly buildings as well as green solutions and other initiatives aimed at reducing greenhouse gas emissions. We take advantage of the opportunities afforded by the Danish mortgage lending system to finance more green assets, including solar panel parks, and in 2021 we have expanded our green bond framework, which also comprises increased financing of wind turbines and the electricity transmission networks etc.

On the investment front, in 2021 Nykredit set a target of carbon neutrality in our investment portfolios by 2050 as well as a 60% reduction in the carbon footprint of our investment portfolio by 2030. These targets determine the course of our efforts to strengthen Nykredit's active stewardship with respect to the climate challenge and to offer Danes investment solutions that support their increasing demand for green investments. At end-2021, Nykredit had 14 funds carrying the Nordic Swan Ecolabel.

Furthermore, based on ESG rating models of Sustainalytics and MSCI, we offer corporate clients advice on how to take a more systematic approach to sustainability with a view to increasing their positive impact, while at the same time achieving improved ESG ratings so their efforts will be recognised by the market. For SMVs, it is particularly difficult to take a systematic and data-based approach to sustainability. Therefore, via one of our partnerships, Nykredit has made a digital reporting tool available allowing SMEs to retrieve, document and report ESG data.

In terms of 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. In 2021 we continued our commitment to integrating responsible business practices throughout our organisation and promoting a culture where we openly air, discuss and act on dilemmas. In other words, our conduct management commitment. We also strengthened our risk management practices, and we routinely identify, assess and act on the Group's conduct risks. In 2021 we have trained all managers across the Group in responsible business practices, all staff members have completed Nykredit's conduct e-learning game, and conduct management is part of our management, talent and introduction programmes.

Another key element of our responsibility is to prevent and counter misuse of the Nykredit Group for financial crime. In 2021 we increased staffing, strengthened the organisation, and optimised transaction monitoring systems.

We are constantly seeking to create a strong and coherent data protection framework throughout the Group, safeguarding personal data and maintaining a high IT security level. In 2021 we have adopted a new Data Ethics Policy, strengthened reporting on IT risks to the Security Committee, the Executive Board and Board of Directors and enhanced security, for example by installing advanced security software and optimising the processes for handling security incidents.

We are aware that data protection, IT security and efforts to combat financial crime depend extensively on our staff. In 2021 Nykredit's staff completed and passed e-learning courses and tests on anti-money laundering, anti-terrorism and anti-corruption, and completed and passed certification and e-learning courses on data protection and IT security.

It is important to us that Nykredit is an inclusive workplace where all staff members have equal opportunities and feel respected. We believe in the benefits of diversity as a driver for development, growth and wellbeing. Through our strategy on diversity and inclusion we work thematically on a structural level, at management level and at individual level. In 2021 we trained all our managers in diversity and inclusive management to provide them with insights and tools to realise that ambition. Managers completed training in their ability and the need to create an inclusive workplace, giving all staff members a sense of fellowship driven by team spirit, integrity, equality and openness, and which brings different people's characteristics into play, challenging conventional thinking and our own understanding and unintentional biases.

We are continually working to improve our documentation in relation to important ESG issues. This information is also useful for ESG ratings where Nykredit's ESG performance is assessed by external rating agencies. Our investors use ESG ratings to make investment decisions.

In May 2021 MSCI, one of the leading ESG rating agencies, raised Nykredit's ESG rating to "AA".

DKK million

| Nykredit Realkredit Group | 2021 | 2020 | Q4/ 2021 | Q3/ 2021 | Q2/ 2021 | Q1/ 2021 | Q4/ 2020 |
|---|---|---|---|---|---|---|---|
| **BUSINESS PROFIT AND PROFIT FOR THE YEAR** | | | | | | | |
| Net interest income | 9,978 | 9,780 | 2,535 | 2,504 | 2,485 | 2,454 | 2,500 |
| Net fee income | 2,406 | 2,438 | 669 | 521 | 632 | 584 | 632 |
| Wealth management income | 2,324 | 1,950 | 629 | 595 | 556 | 544 | 504 |
| Net interest from capitalisation | (484) | (421) | (122) | (116) | (132) | (114) | (114) |
| Net income relating to customer benefits programmes[1] | (414) | (203) | (120) | (120) | (103) | (72) | (49) |
| Trading, investment portfolio and other income | 2,718 | 1,026 | 1,007 | 466 | 418 | 826 | 847 |
| **Income** | **16,529** | **14,569** | **4,598** | **3,850** | **3,857** | **4,223** | **4,319** |
| Costs | 6,343 | 5,762 | 1,793 | 1,564 | 1,539 | 1,447 | 1,477 |
| **Business profit before impairment charges** | **10,186** | **8,807** | **2,806** | **2,286** | **2,318** | **2,776** | **2,842** |
| Impairment charges for loans and advances | (115) | 2,272 | (47) | (157) | (2) | 91 | 286 |
| **Business profit** | **10,302** | **6,535** | **2,853** | **2,443** | **2,320** | **2,685** | **2,556** |
| Legacy derivatives | 432 | 258 | 79 | 60 | 56 | 237 | 206 |
| Badwill, impairment of goodwill and amortisation of customer relationships | 0 | (2) | 0 | 0 | 0 | 0 | 0 |
| **Profit before tax for the year** | **10,733** | **6,791** | **2,932** | **2,504** | **2,376** | **2,922** | **2,762** |
| Tax | 1,863 | 1,118 | 511 | 410 | 408 | 535 | 475 |
| **Profit for the year** | **8,870** | **5,673** | **2,421** | **2,094** | **1,968** | **2,387** | **2,287** |
| Other comprehensive income, value adjustment of strategic equities | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| Other comprehensive income, remaining items | (19) | (26) | 0 | 1 | (13) | (2) | 1 |
| **Comprehensive income for the year** | **8,852** | **5,646** | **2,421** | **2,095** | **1,955** | **2,385** | **2,288** |
| Interest on Additional Tier 1 capital charged against equity | 153 | 233 | 39 | 39 | 38 | 38 | 59 |
| Minority interests | 45 | 21 | 15 | 14 | 8 | 9 | (1) |

[1] Fee income pertaining to Shared Valuation has been reclassified from "Trading, investment portfolio and other income" to "Net fee income". Comparative figures have been restated.
[2] "Net income relating to customer benefits programmes" is described in detail in "Alternative performance measures", see page 45.

## PERFORMANCE HIGHLIGHTS IN 2021

Nykredit delivered a record-high profit before tax for 2021 of DKK 10,733 million (2020: DKK 6,791 million). Business profit amounted to DKK 10,302 million (2020: DKK 6,535 million). Results were primarily impacted by a favourable trend in investment portfolio income, extraordinary income and low and reversed loan impairments driven by the conducive economic environment, rising property prices and improved credit quality. Furthermore, the underlying business performed positively and was driven by growth in mortgage lending in both Totalkredit and Banking, increased business lending as well as high wealth management income.

We last raised our guidance for business profit and profit before tax for 2021 on 13 January 2022 to about DKK 10.3 billion and about DKK 10.7 billion, respectively. The above results are satisfactory and match our most recent guidance.

2021 was a good year for Nykredit, with growth in customers and business volumes throughout the Group. Bank lending grew by DKK 3.4 billion to DKK 74.5 billion at end-2021 (end-2020: DKK 71.1 billion), equal to an increase of 4.8%, and the alliance between Totalkredit and its partner banks resulted in increased nominal mortgage lending totalling DKK 1,391 billion at year-end (end-2020: DKK 1,321 billion), equal to a 5.3% rise. Growth in mortgage lending comprised new lending of DKK 290 billion and redemptions of DKK 187 billion. More than 900,000 homeowners now have Totalkredit loans.

### Income

Total income was DKK 16,529 million in 2021 (2020: DKK 14,569 million).

Net interest income came to a satisfactory DKK 9,978 million (2020: DKK 9,780 million), equal to an increase of DKK 198 million, and was positively impacted by increased mortgage and bank lending driven by the high housing market activity in 2021.

Net fee income was DKK 2,406 million (2020: DKK 2,438 million). Relative to 2020 banking activities as well as insurance and real estate income increased, mortgage lending remained high, while funding income was lower.

Wealth management income increased to DKK 2,324 million in 2021 (2020: DKK 1,950 million), mainly due to increased asset values driven by new assets under management as well as gains on existing assets.

Net interest from capitalisation, which includes interest on subordinated debt, was a negative DKK 484 million (2020: a negative DKK 421 million).

| Business profit 2021 | Profit 2021 | Income 2021 |
|---|---|---|
| **DKK 10,302 million** | **DKK 10,733 million** | **DKK 16,529 million** |
| Business profit | Profit before tax for the year | Income |

| ROAC | Return on equity | Cost:income ratio |
|---|---|---|
| **13.4%** | **9.8%** | **38.4%** |
| Profit for the year as % of average business capital | Profit for the year as % of average equity | Costs as % of income |

Net income relating to the customer benefits programmes KundeKroner and ErhvervsKroner was a negative DKK 414 million (2020: a negative DKK 203 million). The amount includes contributions of DKK 1,300 million received from Forenet Kredit.

Trading, investment portfolio and other income, including value adjustment of swaps etc, rose to DKK 2,718 million (2020: DKK 1,026 million), driven by considerable gains on the portfolio of strategic equities etc as well as favourable financial market trends. In addition, income of DKK 114 million was attributable to the fair value adjustment of loans and advances which Nykredit carried at a discount in connection with Nykredit's acquisition of LR Realkredit, as well as income of some DKK 300 million from the sale of the Depositary Services unit to the Bank of New York Mellon.

### Costs

Costs totalled DKK 6,343 million (2020: DKK 5,762 million). Business volumes and activity increased in 2021, which entails higher costs of staff, including high-performance bonus awards, as well as of the Danish Resolution Fund. The average headcount rose to 3,907 (2020: 3,799). In 2021 Nykredit launched a major upgrade/replacement of several IT platforms to provide secure solutions that keep pace with future requirements. This work will continue in the coming years. In connection with the ordinary impairment test in Q4/2021, one-off IT write-offs were made (Q4/2021: DKK 238 million). The Group is investing significant resources in compliance and implementation of new regulatory requirements, as well as extending the partnership with BEC, whilst also maintaining focus on building organisational efficiency.

### Impairment charges for loans and advances

Impairment charges for loans and advances were a net reversal of DKK 115 million (2020: a charge of DKK 2,272 million).

DKK million

| Nykredit Realkredit Group<br>Impairment charges for loans and advances | 2021 | Q4/ 2021 | Q3/ 2021 | Q2/ 2021 | Q1/ 2021 |
|---|---|---|---|---|---|
| Individual impairment provisions (stage 3) | (96) | 421 | (96) | (109) | (312) |
| Model-based impairment provisions (stages 1, 2 and 3) | (19) | (468) | (61) | 107 | 403 |
| *- of the above attributable to covid-19* | *(2)* | *130* | *(103)* | *2* | *(31)* |
| **Impairment charges for loans and advances** | **(115)** | **(47)** | **(157)** | **(2)** | **91** |

Nykredit recorded low write-offs as well as low and reversed individual impairment provisions for homeowners and businesses.

We have provided DKK 2.1 billion for covid-19-related losses. In 2021 DKK 2 million of this amount was reversed (recognised as income). Such provisions are based on stress tests and portfolio calculations. Write-offs prompted by the covid-19 pandemic remained low due to the financial strength and sound liquidity of our customers as well as the effect of government relief packages and expanded access to credit in the financial sector. For further information about the impacts of covid-19 on impairment charges for loans and advances and Nykredit's loan portfolio, please refer to "Credit risk" on page 33 of this report as well as our Fact Book Q4 2021, which is available at nykredit.com.

### Other items

Legacy derivatives, which are not included in business profit, were DKK 432 million (2020: DKK 258 million). Legacy derivatives are derivatives Nykredit no longer offers to customers, comprising a portfolio with a total market value of DKK 5.6 billion (end-2020: DKK 7.4 billion). The portfolio was written down to DKK 4.3 billion at end-2021 (end-2020: DKK 5.6 billion).

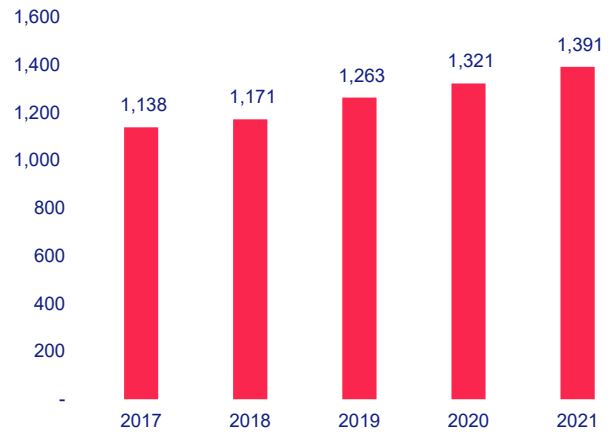
### Tax

Tax calculated on profit for the year was DKK 1,863 million (2020: DKK 1,118 million). The effective tax rate was thus 17.4%.

### Balance sheet

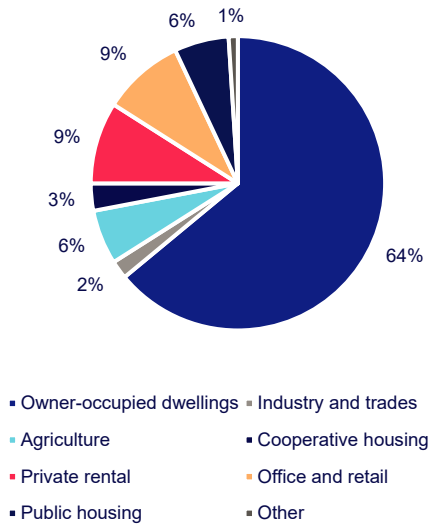
Nominal mortgage lending was DKK 1,391 billion at end-2021 (end-2020: DKK 1,321 billion), up DKK 5.3% on end-2020.

**Nykredit Realkredit Group**
**Nominal mortgage lending**



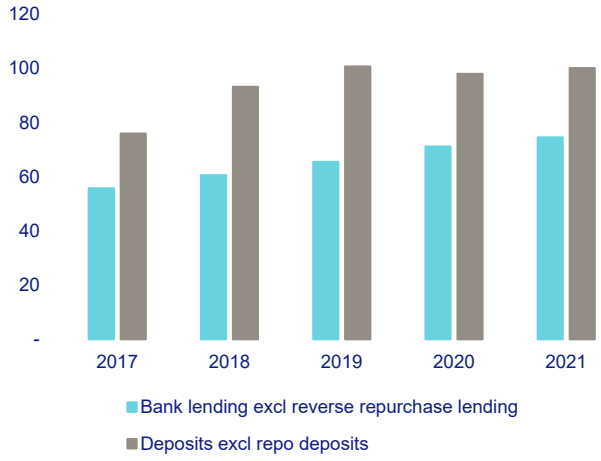

The strong alliance between Totalkredit and its partner banks continues to drive growth in Totalkredit's mortgage lending, which amounted to DKK 866 billion at nominal value at end-2021 (end-2020: DKK 798 billion). This represents an 8.5% increase on end-2020. More than 900,000 homeowners now have Totalkredit loans.

**Nykredit Realkredit Group**
**Mortgage lending in 2021 by property type**




Nykredit's loan portfolio continued to develop positively, and Nykredit Bank's lending increased by DKK 3.4 billion to DKK 74.5 billion at end-2021 (end-2020: DKK 71.1 billion). Bank lending (including secured homeowner loans transferred to Totalkredit) rose to DKK 81.0 billion (end-2020: DKK 77.8 billion). At 31 December 2021, secured homeowner loans transferred to Totalkredit amounted to DKK 6.5 billion (end-2020: DKK 6.7 billion).

**Nykredit Realkredit Group**
**Bank lending excluding reverse repurchase lending and deposits excluding repo deposits**




Guarantees provided by Nykredit amounted to DKK 9.0 billion at end-2021 (end-2020: DKK 9.1 billion). Deposits excluding repo deposits totalled DKK 92.7 billion (end-2020: DKK 88.1 billion). Nykredit Bank's deposits exceeded lending by DKK 18.4 billion at end-2021 (end-2020: DKK 17.1 billion).

### Equity

The Nykredit Realkredit Group's equity stood at DKK 93.6 billion at end-2021 (end-2020: DKK 89.8 billion). Based on profit for the year, it is recommended to the Annual General Meeting that Nykredit Realkredit distributes dividends of DKK 4,380 million.

## RESULTS FOR Q4/2021 RELATIVE TO Q3/2021

Profit before tax for Q4/2021 came to DKK 2,932 million (Q3: DKK 2,504 million).

Income totalled DKK 4,598 million in Q4 (Q3: DKK 3,850 million). The increase was mainly driven by trading, investment portfolio and other income, which includes income from the sale of the Depositary Services unit in Q4. Moreover, combined with negative deposit rates, the continued growth in mortgage lending contributed to a rise in net interest. Fee income rose due to higher funding income and generally higher activity.

Costs rose to DKK 1,793 million in Q4/2021 (Q3: DKK 1,564 million), primarily due to IT write-offs of DKK 238 million.

Impairment charges for loans and advances were a net reversal of DKK 47 million (Q3: a net reversal of DKK 157 million), positively impacted by rising property values and improved credit quality of our customers.

Legacy derivatives resulted in a positive value adjustment of DKK 79 million (Q3: DKK 60 million). The total market value of the portfolio is DKK 5.6 billion (Q3: DKK 5.9 billion). At end-2021, the portfolio was written down to DKK 4.3 billion (Q3: DKK 4.4 billion).

## RESULTS RELATIVE TO OUTLOOK

Our guidance for business profit and profit before tax for 2021 presented in the Annual Report for 2020 was between DKK 6.0 billion and DKK 6.5 billion.

The guidance for business profit and profit for 2021 has been adjusted four times over the year. On 13 January 2022, our guidance for business profit and profit before tax for 2021 was last raised to about DKK 10.3 billion and about DKK 10.7 billion, respectively, 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 2021 of DKK 10.7 billion in line with our latest guidance.

Business profit and profit before tax for 2021 exceeded our initial guidance, chiefly as a consequence of favourable performance by the investment and derivatives portfolios as well as lower-than-expected loan impairments. In addition, we have seen high activity and satisfactory business growth.

## OUTLOOK AND GUIDANCE FOR 2022

Nykredit expects a business profit and profit before tax of DKK 7.5-8.5 billion for 2022.

Our overall guidance for business profit and profit before tax for 2022 reflects that:

- Nykredit expects a decrease in total income relative to the exceptionally high level in 2021, including investment portfolio income and gains on derivatives at a lower level than in 2021. Nykredit expects higher interest income and wealth management income, driven by growing balances and assets under management but falling fee income due to expectations of a normalised activity level.
- Costs are expected to be on a level with 2021.
- Impairment charges for loans and advances are expected at a more normalised level compared with the extraordinarily low level in 2021. No changes have been incorporated into the provisions of DKK 2.1 billion made for covid-19-induced losses.

The main uncertainties applying to the 2022 outlook are related to investment portfolio income due to Nykredit's portfolio of bank equities, legacy derivatives as well as impairment charges for loans and advances.

## SPECIAL ACCOUNTING CIRCUMSTANCES

### Income from Shared Valuation

In order to present income from activity-driven partnerships on an aggregated basis, customer-driven income from the Shared Valuation partnership has been reclassified from "Trading, investment portfolio and other income" to "Net fee income". The change concerning the business area Totalkredit Partners has no earnings impact. The reclassification totalled DKK 71 million in 2020, and comparative figures have been restated.

### Disclosure of Board and Executive Compensation

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

## OTHER

### Changes to the Board of Directors

At the Company's Annual General Meeting held on 25 March 2021, Preben Sunke was elected as a new member of the Board of Directors. Merete Eldrup, Nina Smith, 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 Brusen, Allan Kristiansen, Inge Sand and Kristina Andersen Skiøld.

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

### New auditors appointed by the Annual General Meeting

At the Annual General Meeting held on 25 March 2021, EY Godkendt Revisionspartnerselskab was appointed as the Company's new auditors as from the financial year 2021.

### Termination of guarantee agreement with partner banks

In January Nykredit and Totalkredit terminated an agreement from 2014 on the provision of additional security by the Totalkredit partner banks. The agreement was an addendum to the partnership agreement, and its termination means that the banks no longer have to provide a 6% guarantee covering the mortgage loans originated by them. As a result of Totalkredit and the Nykredit Group's robust capital position in past years, the need for external guarantees has been reduced.

### Merger with LR Realkredit

LR Realkredit A/S was merged with Nykredit Realkredit A/S with effect from 1 January 2021 following approval of the merger by the Danish Ministry for Industry, Business and Financial Affairs and the Danish FSA and approval at the Extraordinary General Meeting of LR Realkredit A/S held on 25 January 2021.

## UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

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

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

## MATERIAL RISKS

The Group's most material risks are described in detail in note 52, to which reference is made.

## EVENTS SINCE THE BALANCE SHEET DATE

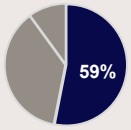
The European Banking Authority's guidelines regarding PD and LGD estimation under the CRR2 have been amended with effect from 1 January 2022. This implies an increase in the Nykredit Group's risk exposure amount (REA) under Pillar I of about DKK 33 billion, which has a negative effect of about 1.6 percentage points on the Group's CET1 capital ratio.

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

# BUSINESS AREAS

Nykredit's governance and organisational structure is based on the business areas below. Percentages show the business divisions' share of business profit for 2021 excluding Group Items.

## Banking




Comprises Retail and Corporates & Institutions.

Retail comprises 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.

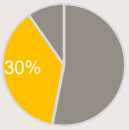
**Business profit 2021:**
**DKK 5,301 million**

**Income 2021:**
**DKK 9,497 million**

**Impairment charges for loans and advances 2021:**
**net reversal of DKK 118 million**

**Total lending end-2021:**
**DKK 724 billion**

## Totalkredit Partners




Comprises Totalkredit-branded mortgage loans to personal and business customers arranged by 44 Danish local and regional banks (excluding Nykredit Bank). Mortgage loans arranged by Nykredit are included in the business area Banking.

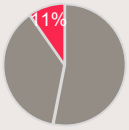
**Business profit 2021:**
**DKK 2,637 million**

**Income 2021:**
**DKK 3,476 million**

**Impairment charges for loans and advances 2021:**
**DKK 66 million**

**Total lending end-2021:**
**DKK 725 billion**

## 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.

**Business profit 2021:**
**DKK 942 million**

**Income 2021:**
**DKK 1,780 million**

**Total lending end-2021:**
**DKK 17 billion**

**Assets under management end-2021:**
**DKK 438 billion**

**Assets under administration end-2021:**
**DKK 1,140 billion**

Group Items comprises other income and costs not allocated to business areas as well as income from securities and investment portfolio income.

Please refer to note 3 in the Financial Statements for complete segment financial statements with comparative figures.

# BANKING

### Banking strategy

The Banking strategy is based on the Nykredit Group's strategy, Winning the Double 2.0, which sets the Group's strategic course and also reflects Nykredit's distinctive nature and core values. 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 as well as people who will and can make a difference.

### 2021 in summary

Banking saw a high activity level this year, and Nykredit welcomed many new full-service personal and business customers, and also many new private banking clients, who are attracted by our award-winning concept. Activity levels among corporate and institutional clients were high, and lending has gone up.

Nykredit customers are offered unique benefits and green solutions, thanks to Forenet Kredit, which is the association of customers that partly owns Nykredit. We call it mutual benefits, and they include more affordable loans and green solutions to customers who want to live, drive, renovate, invest and operate a business sustainably.

Since the beginning of the year, we have been offering:

- Customer discounts on selected fees
- Interest discounts on selected bank home loans
- Discounts on mortgage loans
- Discounts on investment management fees
- Green benefits in the form of green home loans, green car loans, home energy check-ups, green machinery leasing and green construction loans to public housing clients
- Discounts on business mortgage loans
- Digital climate tool through collaboration with SEGES.

We remain focused on delivering a leading customer experience through a range of initiatives that make it easier to bank with Nykredit and free up more adviser time for customers.

Digital value propositions are a top priority in tandem with Nykredit's focus on having a nationwide physical presence. In concert with other providers, such as fintech companies, we are working to expand the digital value propositions. With the digital onboarding process launched earlier this year, personal customers are onboarded with Nykredit in a matter of ten minutes.  In addition, we are continually expanding the number of self-service solutions offered to customers.

We remain dedicated to promoting sustainable solutions and having a sustainable product range. Thanks to contributions from Forenet Kredit, we have recently launched green construction loans to the public housing sector, extended our green machinery leasing proposition, removed fees on cases regarding withdrawal of land from agricultural use and land reparcelling, as well as launched a new sustainability award recognising farmers who are particularly focused on climate and sustainability. We are also focusing on promoting our green solutions and products launched in 2020 as well as deepening our expertise in this area by offering for example sustainability training to our agricultural advisers and a new climate tool.

Based on a new insurance partnership between the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark, Spar Nord, Nykredit and Codan, we are establishing Denmark's strongest bancassurance model. We want to offer our customers innovative insurance propositions, efficient digital solutions and competitive prices. Since 1 May 2021, our customers have been offered insurance through Privatsikring, a member of the Codan group. The new insurance propositions were well received by the customers.

DKK million

| Results – Banking | 2021 | 2020 | Q4/ 2021 | Q3/ 2021 | Q2/ 2021 | Q1/ 2021 | Q4/ 2020 |
|---|---|---|---|---|---|---|---|
| Net interest income | 6,664 | 6,607 | 1,658 | 1,681 | 1,664 | 1,661 | 1,652 |
| Net fee income | 1,757 | 1,873 | 472 | 419 | 434 | 433 | 463 |
| Wealth management income | 802 | 665 | 224 | 191 | 206 | 181 | 188 |
| Net interest from capitalisation | (331) | (349) | (92) | (78) | (86) | (75) | (84) |
| Trading, investment portfolio and other income | 604 | 516 | 137 | 108 | 152 | 207 | 205 |
| **Income** | **9,497** | **9,311** | **2,399** | **2,317** | **2,374** | **2,407** | **2,423** |
| Costs | 4,314 | 4,078 | 1,161 | 1,064 | 1,074 | 1,015 | 1,133 |
| **Business profit before impairment charges** | **5,183** | **5,233** | **1,238** | **1,253** | **1,300** | **1,392** | **1,290** |
| Impairment charges for mortgage lending | (62) | 1,408 | (6) | (24) | (45) | 15 | 163 |
| Impairment charges for bank lending | (57) | 525 | (53) | (28) | 48 | (23) | 113 |
| **Business profit** | **5,301** | **3,300** | **1,298** | **1,306** | **1,297** | **1,400** | **1,014** |
| Legacy derivatives | 431 | 258 | 79 | 60 | 55 | 237 | 206 |
| **Profit before tax** | **5,732** | **3,558** | **1,377** | **1,366** | **1,353** | **1,637** | **1,220** |

### Results for 2021 relative to 2020

Banking delivered a business profit of DKK 5,301 million in 2021 (2020: DKK 3,300 million).

Total income rose to DKK 9,497 million (2020: DKK 9,311 million). The underlying business is performing well. Banking saw continued high growth in mortgage and bank lending, which, together with negative deposit rates, contributed favourably to net interest income. Net interest income was DKK 6,664 million (2020: DKK 6,607 million), and net fee income totalled DKK 1,757 million (2020: DKK 1,873 million). The decrease in net fee income was mainly due to lower funding income, whereas fee income from banking, insurance and real estate activities increased.

Costs amounted to DKK 4,314 million (2020: DKK 4,078 million).

Impairment charges for loans and advances were a net reversal of DKK 118 million (2020: a charge of DKK 1,933 million), positively impacted by rising property values and improved credit quality of our customers.

Legacy derivatives provided a positive value adjustment of DKK 431 million (2020: DKK 258 million).

### Results for Q4/2021 relative to Q3/2021

Banking delivered a business profit of DKK 1,298 million in Q4/2021 (Q3/2021: DKK 1,306 million).

Income totalled DKK 2,399 million (Q3/2021: DKK 2,317 million). The increase was mainly driven by higher funding income and wealth management income.

Impairment charges for loans and advances were a net reversal of DKK 59 million (Q3/2021: a net reversal of DKK 53 million). Impairment charges were impacted by rising property values and customers' high credit quality.

Legacy derivatives were a gain of DKK 79 million (Q3/2021: a gain of DKK 60 million).

DKK million

| Selected balance sheet items<br>Banking | 31.12.2021 | 30.09.2021 | 30.06.2021 | 31.03.2021 | 31.12.2020 |
|---|---|---|---|---|---|
| **Retail Personal Banking** | | | | | |
| Loans and advances | 181,124 | 180,966 | 181,449 | 182,172 | 182,605 |
| - of which mortgage lending, nominal value | 164,140 | 163,918 | 164,353 | 165,011 | 165,419 |
| - of which secured homeowner loans | 7,718 | 7,575 | 7,487 | 7,561 | 7,640 |
| - of which bank lending | 9,266 | 9,473 | 9,609 | 9,600 | 9,547 |
| Deposits | 39,814 | 39,086 | 40,014 | 40,160 | 38,938 |
| **Retail Business Banking** | | | | | |
| Loans and advances | 245,545 | 244,108 | 242,737 | 243,389 | 242,701 |
| - of which mortgage lending, nominal value | 219,591 | 219,131 | 218,515 | 218,658 | 218,921 |
| - of which bank lending | 25,954 | 24,977 | 24,222 | 24,730 | 23,779 |
| Deposits | 25,832 | 25,562 | 24,890 | 23,475 | 24,645 |
| **Corporates & Institutions** | | | | | |
| Loans and advances | 296,996 | 290,151 | 285,873 | 282,687 | 283,578 |
| - of which mortgage lending, nominal value | 264,047 | 259,060 | 254,680 | 252,306 | 251,224 |
| - of which bank lending | 32,949 | 31,092 | 31,193 | 30,382 | 32,355 |
| Deposits | 9,782 | 9,801 | 11,585 | 7,203 | 8,843 |

## Activities

Loan volumes totalled DKK 723.7 billion at 31 December 2021 (end-2020: DKK 708.9 billion), of which DKK 647.8 billion was mortgage loans at nominal value (end-2020: DKK 635.6 billion). The increase can primarily be ascribed to corporate banking.

Bank lending in Retail Personal Banking came to DKK 9.3 billion (end-2020: DKK 9.5 billion). Bank deposits in Retail Personal Banking rose by DKK 0.9 billion from end-2020 to DKK 39.8 billion.

Bank lending in Retail Business Banking came to DKK 26.0 billion (end-2020: DKK 23.8 billion).

Bank lending in Corporates & Institutions rose to DKK 32.9 billion (end-2020: DKK 32.4 billion).

**Lending, Banking**

## Arrears

At the September due date, Retail's 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.25% against 0.52% at the same date in 2020.

# TOTALKREDIT PARTNERS

### Totalkredit strategy

Totalkredit's primary strategic ambition is to secure its future position as market leader in home financing by continuing to strengthen the alliance between the Nykredit Group and the Totalkredit partner banks and prioritising joint solutions.

### 2021 in summary

Totalkredit Partners has welcomed many new full-service personal as well as business customers. At end-2021, the number of homeowner customers had risen to more than 900,000. Totalkredit Partners is committed to offering customers the best loan propositions in the market as well as strengthening the alliance with its partner banks, which has resulted in:

- The Danish Consumer Council renewing its recommendation of Totalkredit mortgage loans. The recommendation is based on a test of eight different loan scenarios with Totalkredit loans having the lowest rates in all scenarios
- Fastrente+, a fixed-rate loan with a 30-year interest-only option, was offered from January 2021
- Totalkredit home energy check-up for customers interested in a visit from an energy consultant and getting a home energy labelling. The home energy check-ups are a joint initiative offered in concert with our Totalkredit partner banks
- A contribution of DKK 10,000 is offered to up to 3,000 customers to replace their oil-fired boilers with heat pumps
- An energy calculator, developed together with our partner banks, based on data from the Danish Energy Agency
- The launch of the digital platform "Mit hjem"; a housing universe aimed at homeowners with mortgages. The platform provides details about mortgage loans and homes
- Lending growth in 97 out of 98 municipalities and strong customer growth since the turn of the year.

The Totalkredit alliance is developing a new joint IT platform aimed to secure its market position as the best provider of advisory services and home financing options. The first part of the platform has now been implemented by the IT banking providers of our partner banks. It offers customers and advisers a better overview of customers' aggregate facilities, including Totalkredit mortgage loans.

Totalkredit business mortgages are offered to the segments Office and Retail, Residential Rental as well as Industry and Trades. More than a quarter of the partnership banks offer Totalkredit business mortgages.

The Nykredit Group has extended the KundeKroner benefits programme on the current terms up to and including 2022 to enhance customers' financial visibility. The KundeKroner programme is a unique strength of our mutual ownership structure, which according to Forenet Kredit's objective is expected to benefit our customers in the coming years.

DKK million

| Results – Totalkredit Partners | 2021 | 2020 | Q4/ 2021 | Q3/ 2021 | Q2/ 2021 | Q1/ 2021 | Q4/ 2020 |
|---|---|---|---|---|---|---|---|
| Net interest income | 3,118 | 2,978 | 824 | 780 | 769 | 745 | 796 |
| Net fee income[1] | 620 | 575 | 180 | 105 | 184 | 151 | 168 |
| Net interest from capitalisation | (259) | (222) | (69) | (62) | (67) | (61) | (61) |
| Net income relating to customer benefits programmes[2] | - | (5) | - | - | - | - | (5) |
| Trading, investment portfolio and other income[1] | (3) | 0 | 1 | (2) | 0 | (2) | (1) |
| **Income** | **3,476** | **3,326** | **935** | **822** | **885** | **834** | **896** |
| Costs | 773 | 719 | 223 | 179 | 201 | 169 | 178 |
| **Business profit before impairment charges** | **2,703** | **2,607** | **712** | **643** | **684** | **665** | **719** |
| Impairment charges for mortgage lending | 66 | 291 | 10 | (34) | 3 | 87 | 22 |
| **Business profit** | **2,637** | **2,315** | **702** | **677** | **681** | **578** | **697** |

[1] Fee income pertaining to Shared Valuation has been reclassified from "Trading, investment portfolio and other income" to "Net fee income". Comparative figures have been restated.
[2] "Net income relating to customer benefits programmes" is described in detail in "Alternative performance measures".

### Results for 2021 relative to 2020

Totalkredit Partners recorded a business profit of DKK 2,637 million (2020: DKK 2,315 million).

Income amounted to DKK 3,476 million (2020: DKK 3,326 million).

Net interest income was satisfactory and rose to DKK 3,118 million (2020: DKK 2,978 million). Net fee income totalled DKK 620 million (2020: DKK 575 million). Net interest income and net fee income were positively impacted by rising activity and mortgage lending levels.

Costs rose to DKK 773 million (2020: DKK 719 million), mainly due to increased activity and higher costs for the Danish Resolution Fund.

Impairment charges for loans and advances were DKK 66 million (2020: DKK 291 million), which reflected low write-offs as well as reversed individual impairment provisions.

### Results for Q4/2021 relative to Q3/2021

Totalkredit Partners delivered a business profit of DKK 702 million (Q3/2021: DKK 677 million).

Income rose to DKK 935 million (Q3/2021: DKK 822 million), mainly driven by net interest income and net fee income.

Impairment charges for loans and advances were DKK 10 million (Q3/2021: a net reversal of DKK 34 million).

DKK million

| Selected balance sheet items | | | | | |
|---|---|---|---|---|---|
| **Totalkredit Partners** | 31.12.2021 | 30.09.2021 | 30.06.2021 | 31.03.2021 | 31.12.2020 |
| **Personal Banking** | | | | | |
| Loans and advances | 715,223 | 705,760 | 693,544 | 677,975 | 660,989 |
| - of which mortgage lending, nominal value | 708,765 | 698,991 | 686,458 | 670,502 | 653,109 |
| - of which secured homeowner loans | 6,458 | 6,768 | 7,086 | 7,473 | 7,881 |
| **Business customers** | | | | | |
| Loans and advances | 9,779 | 9,229 | 8,799 | 8,614 | 8,100 |
| - of which mortgage lending, nominal value | 9,779 | 9,229 | 8,799 | 8,614 | 8,100 |

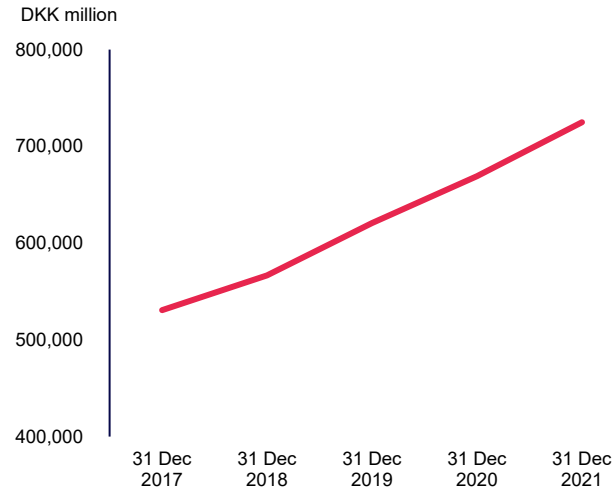
### Activities

Totalkredit Partners recorded lending growth, and nominal lending to personal customers came to DKK 715.2 billion at end-2021 (end-2020: DKK 661.0 billion), equal to an 8.2% increase. The business loan portfolio increased by DKK 1.7 billion to nominally DKK 9.8 billion (end-2020: DKK 8.1 billion).

### Arrears

At the September due date, Totalkredit Partners's 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.12% against 0.18% at the same date in 2020.

**Lending, Totalkredit Partners**



# WEALTH MANAGEMENT

### Wealth Management strategy

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 as well as scale.

### 2021 in summary

Wealth Management performed well in 2021 with continued client growth and increasing assets under management across customer segments, particularly in the Private Banking Elite segment. To this should be added growth in bank and mortgage lending. We continued our commitment to enhancing the customer experience by, for example,

- upscaling digital propositions, channels and customer advisory services
- developing products and solutions that, in addition to our existing product range, provide our customers with even more and better opportunities to invest sustainably
- offering additionally nine investment funds carrying the Nordic Swan Ecolabel in 2021. The total number across Nykredit and Sparinvest is now 14, including three passive investment funds, which, as the first of their kind, invest in accordance with the Paris Climate Agreement. In August 2021 we also launched three balanced funds carrying the Nordic Swan Ecolabel
- increasing our investments in alternatives as well as expanding our alternative investment propositions to more customer segments. We also launched a private equity fund
- collaborating with our Sparinvest partner banks to offer relevant investment products to clients all over the country, for example, Sparinvest's first funds carrying the Nordic Swan Ecolabel, Sparinvest Bæredygtige Aktier and Sparinvest Bæredygtige Value Aktier. We also launched a new type of investment account, Investeringskonto FRI, which makes it easier for customers to invest their savings
- expanding our business area within administration of credit and lending strategies in Nykredit Portefølje Administration
- upgrading our value proposition to the Private Banking Elite segment to ensure its relevance and holistic approach to wealth clients
- training our staff in ESG (Environmental, Social and Governance performance).

Nykredit wants to invest in alignment with the Paris Agreement and contribute to reaching the UN Sustainable Development Goals (SDGs).

In March 2012 Nykredit was one of the first asset managers in Denmark to sign the Net Zero Asset Management Initiative, a group of international asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner. As a result, Nykredit has committed to a carbon-neutral investment portfolio by 2050 compared with the 2020 level. Furthermore, Nykredit has committed to reducing carbon emissions from its investment portfolio by 60% by 2030 compared with 2020.

As mentioned, so far, 14 of Nykredit and Sparinvest's investment funds carry the Nordic Swan Ecolabel, and three fourths of our funds are categorised in the two top sustainability categories in accordance with the EU Disclosure Regulation, which sets common standards for sustainable investment.

*Award-winning value propositions*

In March, Nykredit Invest won two out of three main categories at the annual Morningstar Fund Awards where the investment fund Nykredit Invest won best manager of bonds as well as best manager of equities and bonds. This is the fourth year running that Nykredit Invest has won one or more main categories at the Morningstar Fund Awards. In addition the fund Sparindex OMX C25 was awarded best fund for Danish equities, and Sparindex DJSI World was named best fund for global equities. Combined, Nykredit Invest and Sparindex won four out of eight Morningstar Awards. In addition, the fund Sparindex Europa Growth KL was awarded Best in Test by the Danish Consumer Council.

In the latest survey conducted by Prospera, a market research company, Nykredit Private Banking was named the best private banking provider in Denmark for the fifth year running. Furthermore, Nykredit Private Banking Elite was awarded Best Private Bank in Denmark by the internationally renowned Financial Times media, The Banker and Professional Wealth Management.

64% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in 2021. Over the past three years, 72% has generated above-benchmark returns.

DKK million

| Results – Wealth Management | 2021 | 2020 | Q4/ 2021 | Q3/ 2021 | Q2/ 2021 | Q1/ 2021 | Q4/ 2020 |
|---|---|---|---|---|---|---|---|
| Net interest income | 201 | 185 | 53 | 52 | 50 | 46 | 47 |
| Net fee income | 41 | 32 | 9 | 3 | 19 | 10 | 4 |
| Wealth management income | 1,504 | 1,261 | 408 | 396 | 344 | 356 | 311 |
| Net interest from capitalisation | (11) | (10) | (3) | (3) | (3) | (2) | (2) |
| Trading, investment portfolio and other income | 44 | 37 | 9 | 7 | 12 | 16 | 12 |
| **Income** | **1,780** | **1,505** | **477** | **455** | **422** | **426** | **371** |
| Costs | 902 | 883 | 230 | 240 | 227 | 205 | 248 |
| **Business profit before impairment charges** | **878** | **622** | **247** | **215** | **195** | **221** | **123** |
| Impairment charges for mortgage lending | 1 | (6) | 0 | (1) | 1 | 1 | (1) |
| Impairment charges for bank lending | (65) | 62 | 1 | (78) | 0 | 11 | (7) |
| **Business profit** | **942** | **567** | **245** | **294** | **194** | **209** | **131** |

### Results for 2021 relative to 2020

Wealth Management's business profit was high at DKK 942 million for 2021 (2020: DKK 567 million).

Income amounted to DKK 1,780 million and rose compared with the previous year (2020: DKK 1,505 million), mainly due to increasing assets under management, driven by significant growth in new client assets combined with value gains on the existing assets under management.

Impairment charges for loans and advances were a net reversal of DKK 64 million (2020: a charge of DKK 56 million).

### Results for Q4/2021 relative to Q3/2021

Wealth Management delivered a business profit of DKK 245 million in Q4 (Q3/2021: DKK 294 million).

Income amounted to DKK 477 million in Q4/2021, up by DKK 22 million, primarily due to rising wealth management income (Q3/2021: DKK 455 million).

Impairment charges for loans and advances were DKK 1 million (Q3/2021: a net reversal of DKK 79 million).

DKK million

| Selected balance sheet items<br>Wealth Management | 31.12.2021 | 30.09.2021 | 30.06.2021 | 31.03.2021 | 31.12.2020 |
|---|---|---|---|---|---|
| **Assets under management** | 438,140 | 419,444 | 405,795 | 393,650 | 371,710 |
| - of which Nykredit Group investment funds | 213,731 | 194,986 | 188,508 | 180,280 | 168,415 |
| **Assets under administration**[1] | 1,139,749 | 1,103,023 | 1,092,436 | 993,679 | 948,684 |
| **Lending/deposits** | | | | | |
| Loans and advances | 16,861 | 16,580 | 16,176 | 15,239 | 14,494 |
| - of which mortgage lending, nominal value | 11,797 | 11,877 | 11,516 | 10,731 | 10,170 |
| - of which secured homeowner loans | 1,035 | 1,046 | 1,058 | 1,058 | 1,078 |
| - of which bank lending | 4,029 | 3,657 | 3,602 | 3,450 | 3,245 |
| Deposits | 14,453 | 15,757 | 14,283 | 13,408 | 14,649 |

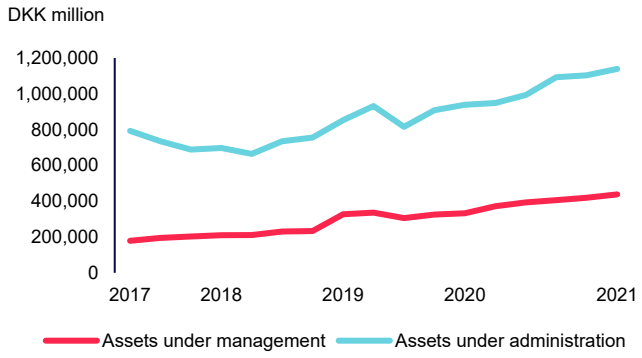
[1] Comparative figures have been restated due to a change in Nykredit funds.

## Activities

Total assets under management rose by DKK 66.4 billion to DKK 438.1 billion at end-2021 (end-2020: DKK 371.7 billion). The rise comprised positive net sales of DKK 39 billion, driven by demand from institutional clients, international clients, Private Banking Elite clients and retail customers via the Group's savings products and from customers of the Sparinvest partnership, as well as positive returns of DKK 27.4 billion.

Total assets under administration increased by DKK 191.1 billion on end-2020 to DKK 1,139.7 billion at end-2021 (end-2020: DKK 948.7 billion) with a net addition of DKK 60.6 billion, driven by demand from institutional clients as well as retail customers via the Group's savings products, as well as positive returns of DKK 130.5 billion.

**Assets under management and assets under administration by Wealth Management**



# GROUP ITEMS

DKK million

| Results – Group Items | 2021 | 2020 | Q4/ 2021 | Q3/ 2021 | Q2/ 2021 | Q1/ 2021 | Q4/ 2020 |
|---|---|---|---|---|---|---|---|
| Net interest income | (6) | 10 | (0) | (9) | 2 | 1 | 4 |
| Net fee income | (12) | (42) | 8 | (6) | (5) | (10) | (2) |
| Wealth management income | 17 | 24 | (3) | 8 | 6 | 7 | 6 |
| Net interest from capitalisation | 117 | 160 | 42 | 26 | 25 | 24 | 33 |
| Net income relating to customer benefits programmes[1] | (414) | (199) | (120) | (115) | (107) | (72) | (45) |
| Trading, investment portfolio and other income | 2,073 | 473 | 860 | 353 | 254 | 606 | 632 |
| **Income** | **1,776** | **426** | **788** | **256** | **176** | **556** | **628** |
| Costs | 353 | 81 | 179 | 81 | 36 | 58 | 82 |
| **Business profit before impairment charges** | **1,423** | **345** | **609** | **175** | **140** | **499** | **710** |
| Impairment charges for bank lending | 1 | (8) | 2 | 8 | (9) | 0 | (4) |
| **Business profit** | **1,422** | **353** | **608** | **167** | **148** | **498** | **714** |
| Badwill, impairment of goodwill and amortisation of customer relationships | - | (2) | - | - | - | - | - |
| **Profit before tax** | **1,422** | **351** | **608** | **167** | **148** | **498** | **714** |

[1] "Net income relating to customer benefits programmes" is described in detail in "Alternative performance measures".

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.

### Results for 2021 relative to 2020

The business profit of Group Items rose by DKK 1,069 million on last year to DKK 1,422 million (2020: DKK 353 million).

The increase was mainly driven by investment portfolio income, positively affected by significant capital gains on the portfolio of Danish bank equities, etc. The item also includes extraordinary income from the sale of bank shares, value adjustments of LR Realkredit loans as well as income from the sale of the Depositary Services unit.

## EQUITY AND OWN FUNDS

The Nykredit Group's equity stood at DKK 93.6 billion at end-2021, up DKK 3.8 billion on end-2020.

It is recommended to the Annual General Meeting that Nykredit distribute ordinary dividend of DKK 4,380 million, corresponding to about 50% of profit after tax for 2021, adjusted for minority interests. 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-2021.

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.

DKK million

| Nykredit Realkredit Group<br>Equity (including AT1 capital) | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Equity, beginning of year | 89,774 | 84,378 |
| Profit for the year | 8,870 | 5,673 |
| Other adjustments | (5,054) | (276) |
| **Equity, year-end** | **93,591** | **89,774** |

DKK million

| Nykredit Realkredit Group<br>Capital and capital adequacy | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Equity (including AT1 capital) | 93,591 | 89,774 |
| AT1 capital etc | (3,729) | (3,753) |
| Proposed dividend | (4,380) | (2,230) |
| CET1 regulatory adjustments | (2,523) | (2,534) |
| **CET1 capital** | **82,959** | **81,257** |
| AT1 capital | 3,706 | 3,729 |
| AT1 regulatory deductions | (21) | (38) |
| **Tier 1 capital** | **86,644** | **84,949** |
| Tier 2 capital | 10,777 | 10,793 |
| Tier 2 regulatory adjustments | 2,049 | 1,932 |
| **Own funds** | **99,471** | **97,673** |
| | | |
| Credit risk | 350,326 | 333,600 |
| Market risk | 24,075 | 40,128 |
| Operational risk | 27,244 | 28,109 |
| **Total risk exposure amount** | **401,644** | **401,837** |
| | | |
| CET1 capital ratio, % | 20.6 | 20.2 |
| Tier 1 capital ratio, % | 21.5 | 21.1 |
| Total capital ratio, % | 24.7 | 24.3 |
| Internal capital adequacy requirement (Pillar I and Pillar II), % | 11.2 | 11.0 |

Own funds and capital adequacy are specified further in note 2 to the Financial Statements.

### Capital

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

At end-2021 Nykredit's risk exposure amount (REA) totalled DKK 401.6 billion (end-2020: DKK 401.8 billion). With own funds at DKK 99.5 billion, this corresponds to a total capital ratio of 24.7% (end-2020: 24.3%). The CET1 capital ratio was 20.6% (end-2020: 20.2%).

In 2021 REA for credit risk increased, particularly driven by the implementation of new regulatory requirements applying to IRB models. To this should be added the impact of a new standardised approach for measuring counterparty risk (SA-CCR), introduced with the most recent amendments to capital requirements as at 28 June 2021. REA for credit risk has consequently increased over the past year, despite low arrears and overdrafts as well as rising property prices etc. REA for market risk, however, reduced in 2021, as the model-based risk metric, Value-at-Risk, decreased. This should be viewed against high market volatility in the first phase of the covid-19 pandemic in 2020.

In 2022 regulatory changes combined with expectations of continued growth in lending are expected to have an upward effect on REA. These include implementation of new guidelines on IRB model estimation from the European Banking Authority (EBA), which will increase REA by about DKK 33 billion from the beginning of 2022.

CET1 capital totalled DKK 83.0 billion at end-2021 (end-2020: DKK 81.3 billion). AT1 capital was unchanged and amounted to DKK 3.7 billion after regulatory deductions at end-2021. Tier 2 capital was DKK 10.8 billion excluding regulatory adjustments at end-2021. In 2021 Nykredit refinanced Tier 2 capital worth about DKK 4.5 billion. In determination of the Nykredit Realkredit Group's own funds, minority interests have been excluded from AT1 capital and Tier 2 capital.

In 2021 Nykredit distributed ordinary dividend of DKK 2.2 billion, equal to about 40% of profit after tax for 2020, and extraordinary dividend of DKK 2.6 billion, equal to about 35% of profit for 2019. Nykredit pursues a cautious approach and has followed the Danish FSA's recommendation of 18 December 2020. This recommendation ceased to apply at end-Q3/2021, and the FSA recommended that credit institutions withhold ordinary dividend based on profit for 2019 and take a cautious approach to distribution based on profit for 2020.

### Capital targets 2022

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

The Board of Directors has set the CET1 target at 15.0-16.0% of REA, whereas the overall target for own funds has been set at 19.5-20.5%. This corresponds 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 the group of owners via Forenet Kredit and through investment commitments from a number of Danish pension companies. For 2022 capital targets have been reduced by 0.5 percentage point, as Forenet Kredit's total assets are now deemed sufficient for Nykredit to rank on a par with a listed SIFI institution in terms of capitalisation.

As a systemically important financial institution (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 must be restored from the current 0% to 1% from 30 September 2022 and to 2% from end-2022. 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 2021 available at Nykredit.com/riskandcapitalmanagement

The Nykredit Group's required own funds were DKK 44.8 billion at end-2021 (end-2020: DKK 44.0 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 11.2% (end-2020: 11.0%).

DKK million

| Nykredit Realkredit Group<br>Required own funds and internal capital adequacy requirement | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Credit risk | 28,026 | 26,688 |
| Market risk | 1,926 | 3,210 |
| Operational risk | 2,180 | 2,249 |
| **Total Pillar I** | **32,132** | **32,147** |
| Risk scenarios and credit quality changes | 7,555 | 6,601 |
| Other risks | 5,142 | 5,259 |
| **Total Pillar II** | **12,697** | **11,860** |
| **Total required own funds** | **44,828** | **44,007** |
| Internal capital adequacy requirement (Pillar I and Pillar II), % | 11.2 | 11.0 |

**Pillar I**

Pillar I capital, covering credit, market and operational risks, was determined at DKK 32.1 billion at end-2021 (end-2020: 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 for a slight economic downturn and changed customer credit quality. In a worsened economic situation the capital charge is determined using eg stress tests. The Pillar II capital requirement was determined at DKK 12.7 billion at end-2021 (end-2020: DKK 11.9 billion).

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.

**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 strengthens its capital position and can continue to make contributions to the Group's customer benefits programmes.

| **Nykredit Group**<br>**Shareholders at 31 December 2021** | Share capital, DKK | Share capital, % |
|---|---|---|
| Forenet Kredit f.m.b.a. | 1,046,965,700 | 78.90 |
| PFA Pension | 133,083,800 | 10.03 |
| PensionDanmark | 31,824,400 | 2.40 |
| PKA | 31,824,400 | 2.40 |
| PRAS A/S | 29,852,600 | 2.25 |
| 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** |

## 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. At 31 December 2021 Nykredit Bank's deposits equalled 125% of lending against 124% in 2020.

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.

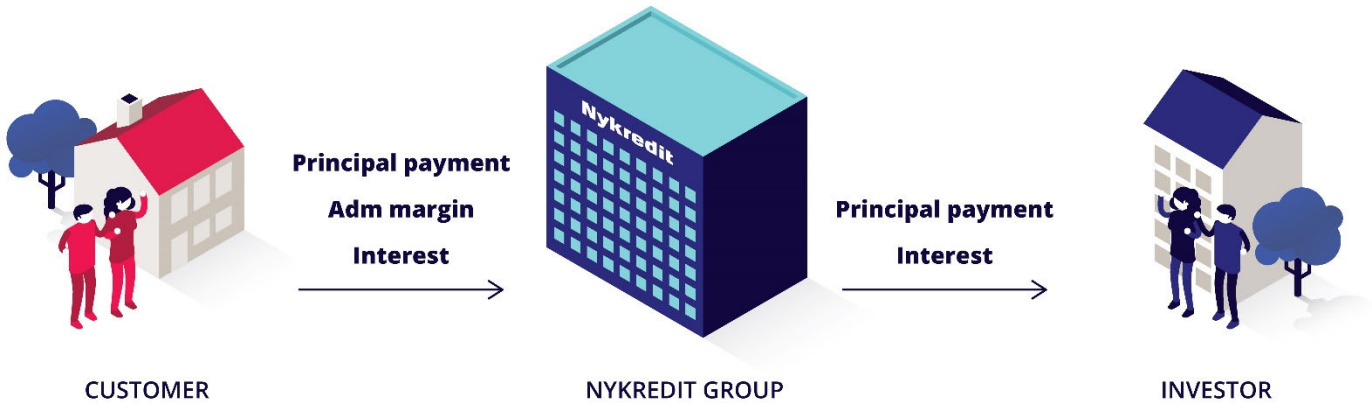
To eliminate interest rate risk and foreign exchange risk, the interest rate and foreign exchange terms of mortgage loans match those of the bonds funding the loans. Fixed-rate loans maintain the same funding throughout the term of a loan. Adjustable-rate mortgages (ARMs) and variable-rate loans are 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 match between the interest and principal payments of a loan and the underlying funding. 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 interest rate adjustment, refinancing, change of refinancing agreement etc.

**Balance principle and match funding**



## Liquidity

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.

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<br>LCR determination | 2021 | 2020 |
|---|---|---|
| Nykredit Realkredit Group* | 591 | 756 |
| Nykredit Realkredit Group, LCR requirement in EUR | 392 | 422 |
| Nykredit Realkredit and Totalkredit | 2,305 | 5,064 |
| Nykredit Realkredit and Totalkredit, including minimum LCR requirement | 139 | 171 |
| Nykredit Bank | 213 | 178 |

* Since 2016, as a Danish mortgage provider, Nykredit has been exempt from including part of its mortgage-related cash flows in the determination of the 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.

[1] The LCR of the Nykredit Realkredit Group at end-2020 has subsequently been adjusted downwards by about 2% from 771% to 756%.

## 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).

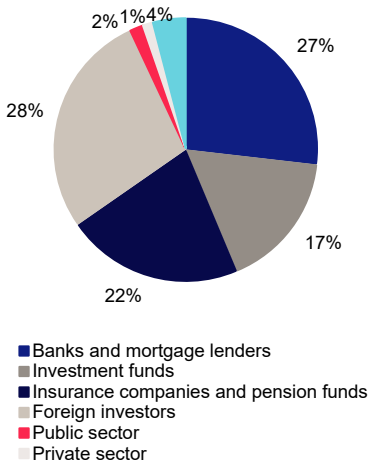
Nykredit's SDOs and ROs are issued through daily tap issuance coupled with bond auctions to refinance ARMs and floating-rate loans etc. At end-2021, the Group had a nominal amount of DKK 1,351 billion of SDOs in issue and DKK 125 billion of ROs in issue.

Nykredit's investors are mainly Danish institutional investors, comprising Danish banks, mortgage lenders and investment funds, which held a total of 44% at end-2021, and insurance companies and pension funds, which held 22%. Foreign ownership amounted to 28% at end-2021. In recent years, foreign investors have increasingly purchased long-dated callable covered bonds and relatively fewer short-dated bonds.

In 2021 Nykredit issued bonds worth a total of DKK 443 billion, of which daily tap issues amounted to DKK 288 billion, while bonds issued for the purpose of refinancing auctions amounted to DKK 154 billion.

In addition to daily tap sales and refinancing auctions, Nykredit occasionally issues SDOs through investment bank syndicates.

**Nykredit Realkredit Group**
**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-2021, DKK 21.8 billion-worth of green mortgage bonds and DKK 0.7 billion-worth of green senior bonds had been issued.

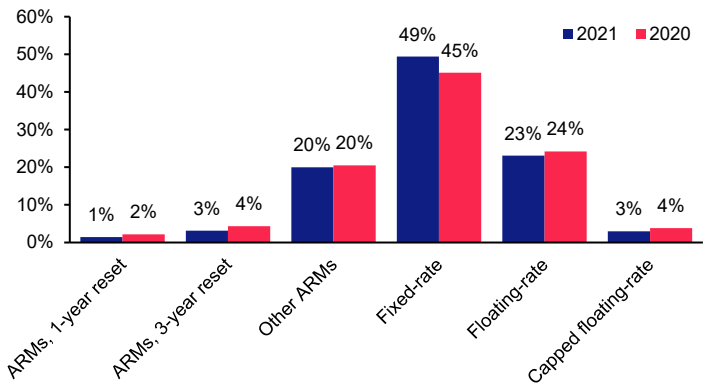
Nykredit's Green Bond Framework, which was established in compliance with ICMA's Green Bond Principles (GBP), describes the principles of green loans and determines which sustainable assets are eligible for financing with green bonds.

## Refinancing risk

Over a number of years Nykredit has reduced its refinancing risk and established an even maturity profile by refinancing ARMs with short-dated funding into loan types with fixed interest rates or longer interest reset periods, mainly ARMs with 5-year interest reset, or Cita- or Cibor-linked loans. This trend has been underpinned by the low interest rates.

**Nykredit Realkredit Group**

**Mortgage lending by loan type**




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

The annual maturity one year ahead totals DKK 231 billion, of which ordinary principal payments, prepayments etc total DKK 63 billion. Thus, refinancing volumes amount to DKK 167 billion.

DKK billion

| Nykredit Realkredit Group<br>Refinancing[1] | 1 January - 31 December 2022 |
|---|---|
| Total maturity before set-off of self-issued bonds | 230.5 |
| - ordinary principal payments and scheduled[2] prepayments (settled) | 40.6 |
| - ordinary principal payments and scheduled[2] prepayments (not settled) | 22.6 |
| - pre-issued bonds and interest rate risk[2] | (0.1) |
| Total refinancing volume | 167.3 |
| - pre-auctioned amount sold under forward contracts | (28.4) |
| Refinancing volume remaining for 1 January 2021 – 31 December 2021 | 138.9 |
| - of which SDOs and ROs | 138.7 |
| - of which other issues | 0.2 |

[1] Applicable for the January, April, July and October 2022 payment dates.
[2] Known as at 31 December 2021.

Annual refinancing volumes are expected to be maintained at around DKK 160 billion.

## 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 mortgage lenders consist of 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 exceeds the value of the mortgage loan portfolio up to a payment date.

DKK billion

| Nykredit Realkredit Group<br>Difference between mortgage lending and bonds in issue | 2021 | 2020 |
|---|---|---|
| Mortgage loans – nominal value, see note 21 a | 1,391 | 1,321 |
| Bonds in issue – nominal value, see notes 35 a and 35 b | 1,476 | 1,421 |
| **Difference** | **85** | **100** |
| The difference comprises: | | |
| Bonds sold in connection with refinancing[1] | 28 | 30 |
| Ordinary principal payments and prepayments[2] | 55 | 68 |
| Pre-issued bonds in respect of which the underlying loans have not been disbursed and other pre-issues | 2 | 1 |
| **Total** | **85** | **100** |

[1] Nykredit issues and auctions new bonds about one month prior to the maturity of the existing bonds. The proceeds are used to buy back/redeem the bonds maturing on 2 January. For a period, there is a double set of bonds.
[2] The loan portfolio is reduced by ordinary principal payments and prepayments, while the outstanding amount of bonds will be reduced on the next payment date, 2 January, and on subsequent payment dates in accordance with the terms of prepayment. Nykredit will generally place the proceeds in bonds maturing on one of the next payment dates.

## Capital market funding

As from 2022, the current debt buffer requirement of 2% of mortgage lending will be adjusted so that, together with own funds and the MREL requirement, the debt buffer must amount to at least 8% of the consolidated balance sheet. At end-2021 Nykredit fully met the revised 8% debt buffer requirement.

In 2021 Nykredit issued about DKK 12.6 billion-worth of senior non-preferred debt and DKK 4.5 billion-worth of Tier 2 capital, both eligible for meeting the revised debt buffer requirement. Senior non-preferred debt in issue totalled DKK 50.1 billion at year-end.

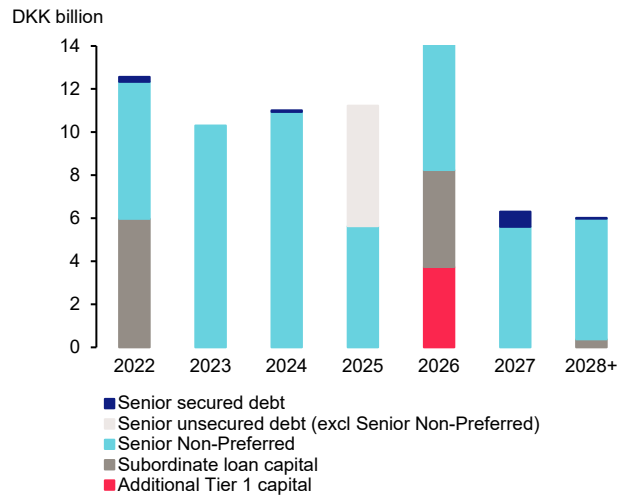
The Bank's senior unsecured debt outstanding consisted of short-term ECP of DKK 4.4 billion as at 31 December 2021.

Debt to fund Nykredit Bank is issued by Nykredit Realkredit, and the proceeds are transferred to Nykredit Bank by way of long-term intercompany 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.

**Nykredit Realkredit Group**

**Maturity profile of capital market funding**




Note: Maturity of capital instruments by first call date.

DKK million

| Nykredit Realkredit Group<br>Bonds in issue | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Covered bonds (ROs), see note 35 a | 124,927 | 138,260 |
| Covered bonds (SDOs), see note 35 b | 1,351,177 | 1,282,909 |
| Senior secured debt, see note 35 c | 853 | 852 |
| Senior preferred debt in Nykredit Bank A/S | - | 516 |
| Senior preferred debt in Nykredit Realkredit A/S | 5,577 | 5,579 |
| Senior non-preferred debt | 50,098 | 41,651 |
| Tier 2 capital, see note 45 | 10,737 | 10,893 |
| AT1 capital, see note 2 (Nykredit Realkredit A/S) | 3,706 | 3,729 |
| ECP issues of Nykredit Bank A/S | 4,415 | 4,885 |

### Issuance schedule for 2022

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 38 billion and DKK 29 billion at the auctions in February and May 2022, respectively, and DKK 39 billion and DKK 33 billion at the auctions in August and November 2022, respectively.

Nykredit expects to issue up to DKK 15-20 billion-worth of capital market funding in 2022.

ECP issuance will continue through Nykredit Bank.

### Credit ratings

Nykredit Realkredit and Nykredit Bank collaborate with the 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.

### S&P Global Ratings

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

Senior non-preferred debt 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.

### Listing of ratings

For a complete overview of Nykredit's credit ratings with S&P and Fitch Ratings, please visit nykredit.com/rating.

### 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 currently focuses 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. The agencies have published unsolicited ratings of Nykredit based solely on publicly available information.

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

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

[1] The scale shows from highest to lowest rating. Lower score reflects lower risk assessment.

### 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 five key benchmarks to measure if a bank or a mortgage lender is operating at an elevated risk.

Nykredit complies with all benchmark limits of the Supervisory Diamond model for banks and mortgage lenders as at 31 December 2021.

| Nykredit Bank A/S<br>Supervisory Diamond | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Large exposures (limit value <175%) | 109.6% | 132.3% |
| Lending growth (limit value <20%) | 4.6% | 8.7% |
| Property exposure (limit value <25%) | 11.1% | 12.6% |
| Liquidity benchmark (limit value >100%) | 256.4% | 150.7% |

Supervisory Diamond for mortgage lenders

| Benchmark | Definition | Nykredit Realkredit Group 31 December 2021 | Nykredit Realkredit A/S 31 December 2021 | Totalkredit A/S 31 December 2021 | Limit value |
|---|---|---|---|---|---|
| Lending growth in segment | | | | | |
| Personal customers[1] | Annual lending growth may not exceed 15% in each of the segments personal customers, commercial residential properties, agricultural properties and other commercial. | 6.3% | (24.2)% | 8.1% | 15.0% |
| Commercial residential properties | | 7.7% | 9.9% | 23.4%[2] | 15.0% |
| Agricultural properties | | (1.3)% | (1.3)% | 0.0% | 15.0% |
| Other commercial | | 2.0% | 5.8% | 18.7% | 15.0% |
| Borrower's interest rate risk | The proportion of lending where the LTV ratio exceeds 75% of the statutory LTV limit and where the loan rate is fixed for up to two years only may not exceed 25% of the total loan portfolio. | | | | |
| Private residential and residential rental | | 9.4% | 17.6% | 7.5% | 25.0% |
| Interest-only loans | The proportion of IO loans for owner-occupied and holiday homes with an LTV ratio above 75% of the statutory LTV limit may not exceed 10% of total lending. | | | | |
| Personal customers | | 6.4% | 2.2% | 6.6% | 10.0% |
| Loans with short-term funding | The proportion of loans to be refinanced must be below 25% per year and below 12.5% per quarter. | | | | |
| Refinancing (annually) | | 10.0% | 13.5% | 8.4% | 25.0% |
| Refinancing (quarterly) | | 2.9% | 2.5% | 3.2% | 12.5% |
| Large exposures | The sum of the 20 largest exposures must be less than the CET1 capital. | | | | |
| Loans and advances:equity | | 39.0% | 40.2% | 4.7% | 100.0% |

[1] The decrease in loans and advances to personal customers in Nykredit Realkredit A/S is a natural consequence of new lending for personal customers being issued through Totalkredit A/S.
[2] 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.

### Information related to covid-19

There is still substantial uncertainty about the impact of the covid-19 pandemic. When deferred tax and VAT payments fall due, the number of bankruptcies could increase. Nykredit's main scenario is reassessed on a current basis, and at end-December 2021 the scenario assumed GDP growth of 4.3% in 2021 and 3.6% in 2022.

Loan impairments related to covid-19 are based on stress test calculations of three different factors. Firstly, stress simulations have been performed for stage 1 and stage 2 personal customers and high-attention sectors. Secondly, the property values of stage 3 customers have been stressed to simulate a reduction in collateral values. At stage 3 we have raised the probability of an adverse scenario for customers in high-attention sectors, and lastly, the macroeconomic scenarios of the impairment model for stage 1 and stage 2 customers have been updated to allow for the covid-19 impact, including relief packages.

We have offered our customers a number of solutions to mitigate the impact of covid-19, including wider access to temporary overdrafts and payment holidays etc. For accounting purposes, these solutions reflect special loan options and not forbearance of existing credit facilities. Accordingly, no special impairment provisions have been made for such credit facilities, provided they were offered to customers who were creditworthy before the covid-19 crisis and not for reasons of financial distress.

Due to the covid-19 situation, many businesses have taken loans with the Danish tax authority in 2020 and 2021. These loans were raised without prior credit assessment. On 9 September, the Danish government and Finance Denmark issued a joint declaration of intent for businesses to gradually return to market-based financing. Nykredit supports this declaration of intent.

The declaration of intent will not impact Nykredit's provisions for losses as a consequence of covid-19. The provisions are determined based on Nykredit's own loan portfolio. Also note that the final terms and conditions for banks' funding of former government loans such as terms of guarantees still need to be resolved.

For further information about the impacts of covid-19 on impairment charges for loans and advances and our portfolio distribution, please refer to our Fact Book Q4 2021, which is available at nykredit.com.

**Nykredit Realkredit Group**

**Loans, advances, guarantees and impairment charges for loans and advances**

| | Loans, advances and guarantees | | Total provisions for loan impairment and guarantees | | Impairment charges for loans and advances, earnings impact | |
|---|---|---|---|---|---|---|
| DKK million | 31.12.2021 | 31.12.2020 | 31.12.2021 | 31.12.2020 | 2021 | 2020 |
| **Mortgage lending, nominal value** | | | | | | |
| Nykredit Realkredit | 525,274 | 523,062 | 4,793 | 5,019 | (160) | 1,403 |
| Totalkredit | 865,802 | 798,424 | 1,721 | 1,633 | 161 | 296 |
| **Total** | **1,391,076** | 1,321,486 | **6,515** | 6,652 | **0** | 1,699 |
| | | | | | | |
| **Loans and advances etc** | | | | | | |
| Nykredit Bank | 74,513 | 71,146 | 2,755 | 3,012 | (208) | 475 |
| **Total** | **74,513** | 71,146 | **2,755** | 3,012 | **(208)** | 475 |
| | | | | | | |
| Receivables from credit institutions | 5,165 | 43,215 | 23 | 22 | 2 | (6) |
| | | | | | | |
| Reverse repurchase lending | 50,900 | 37,271 | - | - | - | - |
| Guarantees | 8,987 | 9,087 | 331 | 241 | 90 | 104 |
| | | | | | | |
| **Loan impairment, %**[1] | | | | | | |
| Nykredit Realkredit | - | - | 0.90 | 0.95 | (0.03) | 0.27 |
| Totalkredit | - | - | 0.20 | 0.20 | 0.02 | 0.04 |
| **Total** | **-** | - | **0.47** | 0.50 | **0.00** | 0.13 |
| | | | | | | |
| Nykredit Bank | - | - | 3.57 | 4.06 | (0.27) | 0.64 |
| **Total** | **-** | - | **3.57** | 4.06 | **(0.27)** | 0.64 |

[1] Loan impairment excluding receivables from credit institutions, reverse repurchase lending and guarantees.

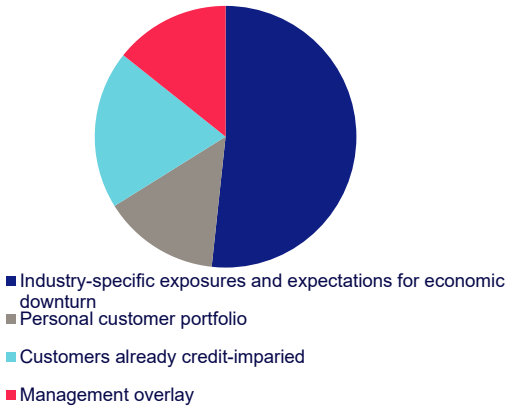
### Provisions in 2021 related to covid-19

Of the total loan impairment provisions of DKK 2.1 billion made in 2020 taken to cover the consequential losses arising from covid-19, Nykredit reversed DKK 2 million (equal to a gain) in 2021. Reasons for this reversal include a reclassification of provisions, as a small number of customers have become subject to individual provisioning as a result of covid-19, and general updates of stress test calculations. Provisions for loan impairment related to covid-19 subsequently amounted to DKK 2.1 billion. The general macroeconomic situation is monitored by Nykredit's scenario experts, who regularly assess the need for calculation updates based on input concerning relief packages, government aid initiatives and overall international economic trends.

The loan portfolio developed positively in 2021 and individual impairment provisions remained low. Arrears ratios were declining for some portfolios and stable for others. Write-offs were also low. Nykredit has made only a few covid-19-related individual impairment provisions.

Nykredit's macroeconomic forecasts in connection with loan impairments related to covid-19 have been incorporated into the impairment models and in the model-based impairment provisions.

**Breakdown of loan impairments related to covid-19**




### 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 calculation include forward-looking macroeconomic scenarios. The scenarios reflect uncertainties relating to the economy and include both improved and deteriorating outlooks. At end-2021, the scenarios were updated to reflect the current and expected economic environment caused by the covid-19 crisis and resulting market conditions. The base scenario must reflect the economic environment, including the effect of covid-19 relief packages, taking into account the economic effects of the reopening and vaccine roll-out. The base scenario carries a 55% weighting. The scenario implies expected GDP growth of 4.3% and house price rises of 12.1% in 2021 but based on a significant drop of 2.1% in GDP in 2020. The adverse scenario was included in the models with a weighting of 35%. This scenario implies expected GDP growth of 1.0% and house price declines of 2% in 2022. The improved scenario carries a 10% weighting and is based on the macroeconomic conditions observed at the date of this Annual Report. This scenario uses realised levels of interest rates, GDP, house prices and unemployment. Based on this weighting, impairment provisions totalled DKK 9,625 million as at 31 December 2021 (end-2020: DKK 9,928 million). If the base scenario carried a 100% weighting, total impairment provisions would decrease by DKK 119 million. Compared with the base scenario, total impairment provisions would rise by DKK 357 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 391 million.

At 31 December 2021, 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] | (0.2) | (0.2) | (0.1) | 0.5 | 1.5 | 2.5 |
| Long-term rate[2] | 0.0 | (0.1) | (0.1) | 1.4 | 2.6 | 3.6 |
| House prices[3] | 2.2 | 3.1 | 3.8 | (2.0) | (2.0) | (2.0) |
| GDP[3] | 3.6 | 2.4 | 2.4 | 1.0 | 0.5 | 0.1 |
| Unemployment[4] | 2.8 | 2.6 | 2.5 | 5.8 | 6.2 | 6.2 |

[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 changes as a percentage.
[4] Registered gross unemployment.

There is still substantial uncertainty about the impact of the pandemic despite the reopening in H2/2021. Nykredit's main scenario assumes that during 2021 and 2022 GDP and house prices will return to the levels prevailing in the period immediately preceding the covid-19 pandemic due to the effects of the relief packages. There is evidence to suggest this already, although the low arrears and overdraft levels are, to some degree, attributable to relief packages and government stimulus.

Combined with the surge in infection rates in Q4, the economic outlook has not improved since Q3. We expect that certain sectors once again will encounter problems prompted by lower revenue. To this should be added uncertainty about potential additional government relief packages to vulnerable sectors. Currently, Nykredit's therefore focuses on the dates of expiry and repayment of loans and relief packages, effects of deferred tax, the general pandemic development and resulting challenges to vulnerable sectors.

### 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 3,498 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 size of such post-model adjustments is shown below:

DKK million

| **Nykredit Realkredit Group** | | |
|---|---|---|
| **Specific macroeconomic risks and process-related circumstances** | 31.12.2021 | 31.12.2020 |
| Agriculture | 499 | 518 |
| Covid-19* | 1,244 | 1,446 |
| Concentration risks in loan portfolios | 254 | 171 |
| **Total macroeconomic risks** | **1,997** | **2,135** |
| Process-related | 240 | 40 |
| Model changes | 326 | 200 |
| Other (results of controlling, haircuts etc) | 935 | 1,196 |
| **Total process-related circumstances** | **1,501** | **1,436** |
| **Total post-model adjustments** | **3,498** | **3,571** |

Note: As at Q4, additionally DKK 855 million were incorporated into the impairment models as in-model adjustments, where vulnerable sectors impacted by covid-19 are stressed, resulting in a change of stage (Q4/2020: DKK 581 million).

## MORTGAGE LENDING

At end-2021, Nykredit's credit exposure in terms of nominal mortgage lending was DKK 1,391 billion, corresponding to an increase of DKK 70 billion (end-2020: DKK 1,321 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 55.8% at end-2021 (end-2020: 61.3%).

### Total provisions for mortgage loan impairment

Total provisions for mortgage loan impairment equalled 0.47% of total mortgage lending, excluding credit institutions (end-2020: 0.50%). Total impairment provisions amounted to DKK 6,515 million at end-2021 (end-2020: DKK 6,652 million). The covid-19 provisions 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<br>**Total impairment provisions for mortgage lending** | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Individual impairment provisions (stage 3) | 2,631 | 2,681 |
| Model-based impairment provisions (stages 1, 2 and 3) | 3,883 | 3,971 |
| *- of the above attributable to covid-19* | *1,473* | *1,482* |
| **Total impairment provisions for mortgage lending** | **6,515** | **6,652** |

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 0 million (2020: DKK 1,699 million). Of the impairment charges for loans and advances for the year, DKK 249 million was attributable to owner-occupied dwellings and a reversal of DKK 249 million to the business segment.

### Arrears

Mortgage loan arrears are determined 15 and 75 days past the due date. Mortgage loan arrears dropped to 0.18% of total mortgage payments due 75 days past the September due date (September 2020: 0.26%).

Bond debt outstanding affected by arrears as a percentage of total bond debt outstanding also decreased to DKK 1.74 billion (September 2020: DKK 2.41 billion).

**Nykredit Realkredit Group**

**Arrears ratio – 75 days past due**

| Due date | Arrears relative to total mortgage payments<br>% | Debt outstanding in arrears relative to total debt outstanding<br>% | Debt outstanding affected by arrears<br>DKK billion |
|---|---|---|---|
| **2021** | | | |
| - September | 0.18 | 0.13 | 1.74 |
| - June | 0.20 | 0.14 | 1.93 |
| - March | 0.22 | 0.15 | 2.07 |
| **2020** | | | |
| - December | 0.22 | 0.17 | 2.28 |
| - September | 0.26 | 0.19 | 2.41 |
| - June | 0.29 | 0.22 | 2.84 |
| - March | 0.34 | 0.25 | 3.15 |

### Properties acquired by foreclosure

In 2021 the Group acquired 38 properties and sold 40. The property portfolio counted 6 properties at 31 December 2021 (end-2020: 8).

**Nykredit Realkredit Group**

**Properties acquired by foreclosure/sold**

**Nykredit Realkredit Group** DKK million

**Mortgage lending by property type**[1] /number

| Fair value at end-2021 | Owner-occupied dwellings | Public housing[2] | Cooperative housing | Private rental | Office and retail | Agriculture | Industry and trades | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Mortgage lending** | | | | | | | | | |
| - Bond debt outstanding | 887,420 | 85,248 | 35,713 | 122,277 | 125,829 | 85,276 | 21,955 | 18,835 | 1,382,551 |
| - Number of loans | 705,834 | 15,001 | 5,399 | 26,061 | 16,169 | 28,037 | 2,090 | 2,445 | 801,036 |
| Bond debt outstanding by loans subject to | | | | | | | | | |
| - public guarantees | 255 | 60,286 | 366 | 16 | 47 | 78 | 35 | 787 | 61,869 |
| - bank guarantees | 48,077 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 48,077 |
| - set-off agreements with partner banks | 145,695 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 145,695 |
| - no guarantee | 693,394 | 24,962 | 35,347 | 122,261 | 125,782 | 85,198 | 21,920 | 18,048 | 1,126,911 |
| **Total** | **887,420** | **82,248** | **35,713** | **122,277** | **125,829** | **85,276** | **21,955** | **18,835** | **1,382,551** |
| | | | | | | | | | |
| **Bond debt outstanding by loan type** | | | | | | | | | |
| Fixed-rate loans | | | | | | | | | |
| - repayment loans | 356,718 | 17,777 | 13,315 | 24,650 | 45,527 | 5,993 | 5,102 | 8,232 | 477,314 |
| - with interest-only period | 182,691 | 9 | 4,433 | 15,432 | 2,792 | 9,817 | 20 | 701 | 215,895 |
| Adjustable-rate mortgage loans (ARMs) | | | | | | | | | |
| - repayment loans, 1-year interest reset | 10,799 | 56 | 141 | 907 | 859 | 1,178 | 134 | 374 | 14,448 |
| - other repayment loans | 82,825 | 47,053 | 1,256 | 10,474 | 11,491 | 6,642 | 1,432 | 1,450 | 162,623 |
| - with interest-only period, 1-year interest reset | 4,432 | 0 | 106 | 309 | 192 | 848 | 14 | 110 | 6,011 |
| - other with interest-only period | 118,228 | 0 | 4,011 | 25,526 | 9,476 | 9,405 | 2,992 | 298 | 169,937 |
| Money market-linked loans | | | | | | | | | |
| Loans with interest rate cap | | | | | | | | | |
| - repayment loans | 26,522 | 65 | 167 | 495 | 315 | 1,016 | 33 | 295 | 28,909 |
| - with interest-only period | 7,987 | 0 | 68 | 72 | 17 | 443 | 1 | 2 | 8,590 |
| Loans without interest rate cap | | | | | | | | | |
| - repayment loans | 32,823 | 274 | 432 | 13,068 | 24,212 | 18,344 | 4,201 | 3,990 | 97,344 |
| - with interest-only period | 64,394 | 33 | 10,280 | 31,319 | 30,945 | 31,572 | 8,026 | 3,322 | 179,891 |
| Index-linked loans | 0 | 19,981 | 1,503 | 25 | 2 | 16 | 0 | 61 | 21,589 |
| **Total** | **887,420** | **85,248** | **35,713** | **122,277** | **125,829** | **85,276** | **21,955** | **18,835** | **1,382,551** |
| | | | | | | | | | |
| **Bond debt outstanding by region** | | | | | | | | | |
| Capital Region of Denmark | 247,549 | 31,619 | 19,430 | 38,495 | 41,975 | 2,158 | 2,774 | 6,670 | 390,670 |
| Sealand Region | 113,652 | 8,333 | 3,144 | 6,915 | 11,740 | 12,890 | 2,069 | 1,963 | 160,706 |
| North Denmark Region | 113,131 | 10,368 | 3,174 | 10,298 | 8,219 | 21,266 | 2,100 | 1,745 | 170,302 |
| Central Denmark Region | 219,135 | 18,129 | 5,145 | 24,079 | 18,799 | 26,247 | 5,136 | 5,197 | 321,866 |
| South Denmark Region | 182,271 | 16,798 | 4,759 | 16,259 | 15,176 | 22,681 | 2,663 | 3,259 | 263,867 |
| Faeroe Islands and Greenland | 2,137 | 0 | 61 | 547 | 39 | 0 | 0 | 0 | 2,784 |
| - Total foreign | 9,544 | 0 | 0 | 25,684 | 29,880 | 34 | 7,213 | 0 | 72,355 |
| **Total** | **887,420** | **85,248** | **35,713** | **122,277** | **125,829** | **85,276** | **21,955** | **18,835** | **1,382,551** |
| | | | | | | | | | |
| **Bond debt by debt outstanding, DKK million** | | | | | | | | | |
| 0-2 | 536,367 | 4,966 | 1,598 | 14,464 | 7,578 | 14,116 | 996 | 902 | 580,987 |
| 2-5 | 304,559 | 7,867 | 6,149 | 15,170 | 10,489 | 27,793 | 1,422 | 1,844 | 375,292 |
| 5-10 | 43,501 | 26,453 | 17,048 | 27,029 | 22,842 | 38,173 | 2,501 | 5,923 | 183,469 |
| 20-50 | 2,527 | 21,087 | 6,628 | 17,784 | 17,100 | 4,592 | 1,661 | 3,027 | 74,407 |
| 50-100 | 465 | 15,058 | 2,200 | 12,028 | 12,388 | 602 | 1,221 | 2,108 | 46,069 |
| 100- | 0 | 9,818 | 2,090 | 35,802 | 55,431 | 0 | 14,155 | 5,031 | 122,327 |
| **Total** | **887,420** | **85,248** | **35,713** | **122,277** | **125,829** | **85,276** | **21,955** | **18,835** | **1,382,551** |
| | | | | | | | | | |
| **Bond debt outstanding by remaining loan term, years** | | | | | | | | | |
| 0-10 | 19,292 | 7,757 | 493 | 27,762 | 45,541 | 1,855 | 5,654 | 957 | 109,311 |
| 10-15 | 47,875 | 8,649 | 4,394 | 4,073 | 17,623 | 6,759 | 6,150 | 2,446 | 97,969 |
| 15-20 | 100,203 | 14,882 | 8,417 | 13,500 | 34,793 | 12,024 | 10,105 | 5,051 | 198,975 |
| 20-25 | 167,321 | 31,001 | 5,592 | 23,220 | 12,148 | 31,495 | 34 | 2,801 | 273,612 |
| 25-30 | 552,729 | 22,956 | 16,818 | 53,720 | 15,723 | 33,144 | 12 | 7,579 | 702,682 |
| 30-35 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| 35- | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| **Total** | **887,420** | **85,248** | **35,713** | **122,277** | **125,829** | **85,276** | **21,955** | **18,835** | **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

Bank lending at amortised cost amounted to DKK 74.5 billion at end-2021 (end-2020: DKK 71.1 billion).

Reverse repurchase lending totalled DKK 50.9 billion at end-2021 (end-2020: DKK 37.3 billion). Guarantees provided amounted to DKK 9.0 billion (end-2020: DKK 9.1 billion).

**Nykredit Realkredit Group**

| **Bank lending and guarantees** | | DKK million |
|---|---|---|
| | 2021 | 2020 |
| Bank lending | 74,513 | 71,146 |
| Reverse repurchase lending | 50,900 | 37,271 |
| Guarantees | 8,987 | 9,087 |
| **Total** | **134,400** | **117,504** |

Provisions for bank loan impairment (exclusive of credit institutions and guarantees) totalled DKK 2,755 million at end-2021 (end-2020: DKK 3,012 million). The covid-19 provisions are based on stress test calculations and included in total impairment provisions.

Impairment charges for loans and advances are mainly attributable to:

DKK million

| **Nykredit Realkredit Group** | | |
|---|---|---|
| **Total provisions for bank loan impairment** | 31.12.2021 | 31.12.2020 |
| Individual impairment provisions (stage 3) | 1,683 | 1,960 |
| Model-based impairment provisions (stages 1, 2 and 3) | 1,072 | 1,052 |
| *- of the above attributable to covid-19* | *626* | *577* |
| **Total provisions for bank loan impairment** | **2,755** | **3,012** |

### Guarantees

Guarantees provided amounted to DKK 8,987 million at end-2021 (end-2020: DKK 9,087 million), which represented a decrease of 1%. At end-2021, provisions for guarantees amounted to DKK 331 million (end-2020: DKK 241 million).

### Earnings impact

Impairment charges for loans and advances and provisions for guarantees for the year were a net reversal of DKK 118 million (2020: a charge of DKK 579 million).

**Nykredit Realkredit Group**

**Credit exposures: bank lending, reverse repurchase lending and guarantees by sector[1]** DKK million

| | 31.12.2021 | | | 31.12.2020 | | |
|---|---|---|---|---|---|---|
| | Lending, year-end | Total impairment provisions | Earnings impact | Lending, year-end | Total impairment provisions | Earnings impact |
| **Public sector** | **1,110** | **10** | **(0)** | **866** | **4** | **3** |
| Agriculture, hunting, forestry and fishing | 3,877 | 192 | 13 | 3,431 | 184 | 30 |
| Manufacturing, mining and quarrying | 11,754 | 262 | (123) | 9,759 | 415 | 134 |
| Energy supply | 5,475 | 32 | 6 | 7,096 | 40 | 16 |
| Construction | 2,722 | 202 | 8 | 2,631 | 198 | 8 |
| Trade | 9,752 | 655 | 225 | 8,788 | 453 | 111 |
| Transport, accommodation and food service activities | 6,525 | 144 | (29) | 7,193 | 183 | 101 |
| Information and communication | 2,376 | 83 | (23) | 3,262 | 106 | 5 |
| Finance and insurance | 56,378 | 91 | (50) | 43,211 | 144 | 33 |
| Real estate | 16,540 | 524 | (74) | 16,566 | 595 | 123 |
| Other | 9,948 | 312 | (42) | 8,426 | 355 | 54 |
| **Total business customers** | **125,346** | **2,497** | **(89)** | **110,363** | **2,673** | **615** |
| Personal customers | 27,182 | 579 | (28) | 26,914 | 576 | (39) |
| **Total** | **153,638** | **3,086** | **(118)** | **138,143** | **3,254** | **579** |
| - of which provisions for losses under guarantees | | 331 | 90 | | 241 | 105 |
| Impairment provisions for credit institutions | | 9 | (2) | | 12 | (1) |
| **- of which intercompany guarantees and total** | **19,239** | **3,096** | **(120)** | **20,639** | **3,266** | **578** |

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

## ORGANISATION AND RESPONSIBILITIES

The Board of Directors of Nykredit Realkredit A/S counts 12 members, of whom ten are elected by the Annual General Meeting for a term of one year and five are elected by and among the staff for a term of four years.

The Board of Directors must be composed so that it possesses the right mix of skills required to undertake the executive and strategic management of the business 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 Board of Directors reviews its skills profile on an ongoing basis and has decided in this respect that it should have special skills and knowledge as regards:

- Strategic matters
- Sector and real estate expertise
- Economics, finance and accounting
- Capital markets, securities and funding
- Politics, public administration and associations
- Financial regulation
- 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 2021

In H2/2021 Nykredit's Board of Directors conducted the annual Board evaluation. The Board evaluation, which in 2021 was conducted using external assistance, comprised a questionnaire survey as well as one-to-one 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 6 October 2021 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 H2/2022.

### 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, CEO, and Preben Sunke, Group COO, who are all members of the Boards of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the Annual General Meeting.

The Board Audit Committee held 6 meetings in 2021.

#### *Board Risk Committee*

The function of the Board Risk Committee is to oversee Nykredit's overall risk profile and strategy, including to assess the long-term capital requirement and the capital policy. It also assesses risks related to products, business model, remuneration structure and incentives as well as risk models and methodological basis. The Board Risk Committee 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 6 meetings in 2021.

#### *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 underrepresented 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), Nina Smith, Professor, and Per W. Hallgren, CEO, who are all members of the Boards of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the Annual General Meeting.

The Board Nomination Committee held 3 meetings in 2021.

*Board Remuneration Committee*

The principal tasks of the Board Remuneration Committee are to qualify proposals for remuneration prior to consideration by the Board of Directors 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), Nina Smith, Professor, and Per W. Hallgren, CEO, who are all members of the Boards of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the Annual General Meeting, as well as Kristina Andersen Skiøld, Chair of NYKREDS, who is staff-elected member of the Board of Directors of both companies.

The Board Remuneration Committee held 3 meetings in 2021.

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

**Group Executive Board**

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

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

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

## CORPORATE GOVERNANCE

Some years ago, it was decided that Nykredit should act as a listed company for external purposes and operate on the basis of sound business terms.

In consequence, Nykredit regularly considers the Recommendations on Corporate Governance of the Danish Committee on Corporate Governance subject to the adjustments that follow from Nykredit's special ownership and management structure, 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.

Where appropriate, 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/corporate-governance.

### Forenet Kredit

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-2021, the Group had identified a total of 220 risk takers:

- Members of the Board of Directors: 27
- Group Managing Directors: 4
- Managing Directors of subsidiaries: 12
- 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 bonds 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 14 of the Financial Statements.

The bonus provisions in respect of Subsidiary Managing Directors and other risk takers amounted to DKK 73 million for 2021 (2020: DKK 68 million). The 2021 bonus provisions corresponded to 34% of their fixed salaries.

The total remuneration of risk-takers appears from note 14 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 staff of Markets, Asset Management, Investments and Group Treasury who have major earnings responsibility, in line with market standards for such positions. The remuneration of these staff members is chiefly based on their job performance. The 2021 bonus provisions in respect of these staff members (excluding risk takers) amounted to DKK 44 million (2020: DKK 51 million). The 2021 bonus provisions corresponded to 38% of their fixed salaries.

In addition, a limited number of individual bonus programmes apply to selected staff members. The 2021 bonus provisions in respect of these staff members (excluding risk takers) amounted to DKK 52 million (2020: DKK 26 million). The 2021 bonus provisions corresponded to 31% of their fixed salaries.

Bonus programmes under which the variable remuneration component may reach up to 25% of the base salary apply to other members of management and a small number of the members of staff in high-level positions or tasked with special projects. The 2021 bonus provisions in respect of these management and staff members (excluding risk takers) amounted to DKK 19 million (2020: DKK 5 million). The 2021 bonus provisions corresponded to 12% of their fixed salaries.

The bonus programmes do not apply to other management or staff members, but they may receive individual one-off awards. The 2021 provisions for one-off awards came to DKK 20 million (2020: DKK 14 million), which corresponded to 1% of the relevant group's fixed salaries.

Total provisions for accounting purposes for bonuses and one-off awards for 2021 came to DKK 208 million (2020: DKK 161 million). The total provisions for bonuses and one-off awards for 2021 corresponded to 7% of total fixed salaries.

## INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

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

### Financial reporting process

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

The financial reporting process is based on internal control and risk management systems, which together ensure that all relevant financial transactions are correctly reflected for accounting purposes and in financial statements. Nykredit'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 collects 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 policy, stating that Nykredit is committed to a transparent and credible business conduct – in compliance with legislation and the Stock Exchange Code of Ethics. The communications policy is reviewed once a year by the Board of Directors and was last revised in October 2021.

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

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

# COMPANY DETAILS

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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
2000 Frederiksberg
Denmark

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

## BOARD OF DIRECTORS

Merete Eldrup, former Chief Executive Officer
Chair

Nina Smith, Professor
Deputy Chair

Olav Bredgaard Brusen, Deputy Chair of Finansforbundet NYKREDS*
Michael Demsitz, 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*
Inge Sand, Senior Agricultural Adviser*
Kristina Andersen Skiøld, Chair of Finansforbundet NYKREDS*
Preben Sunke, Group COO

* Staff-elected member

| Nykredit Realkredit Group<br>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 |
| Address of entity's registered office | Kalvebod Brygge 1-3<br>DK-1780 Copenhagen V |

See page 164 for directorships and executive positions of the members of the Board of Directors and the Executive Board.

## BOARD AUDIT COMMITTEE

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

## BOARD RISK COMMITTEE

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

## BOARD NOMINATION COMMITTEE

Merete Eldrup, Chair
Nina Smith
Per W. Hallgren

## BOARD REMUNERATION COMMITTEE

Merete Eldrup, Chair
Nina Smith
Per W. Hallgren
Kristina Andersen Skiøld

## EXECUTIVE BOARD

Michael Rasmussen
Group Chief Executive

Tonny Thierry Andersen
Group Managing Director

David Hellemann
Group Managing Director

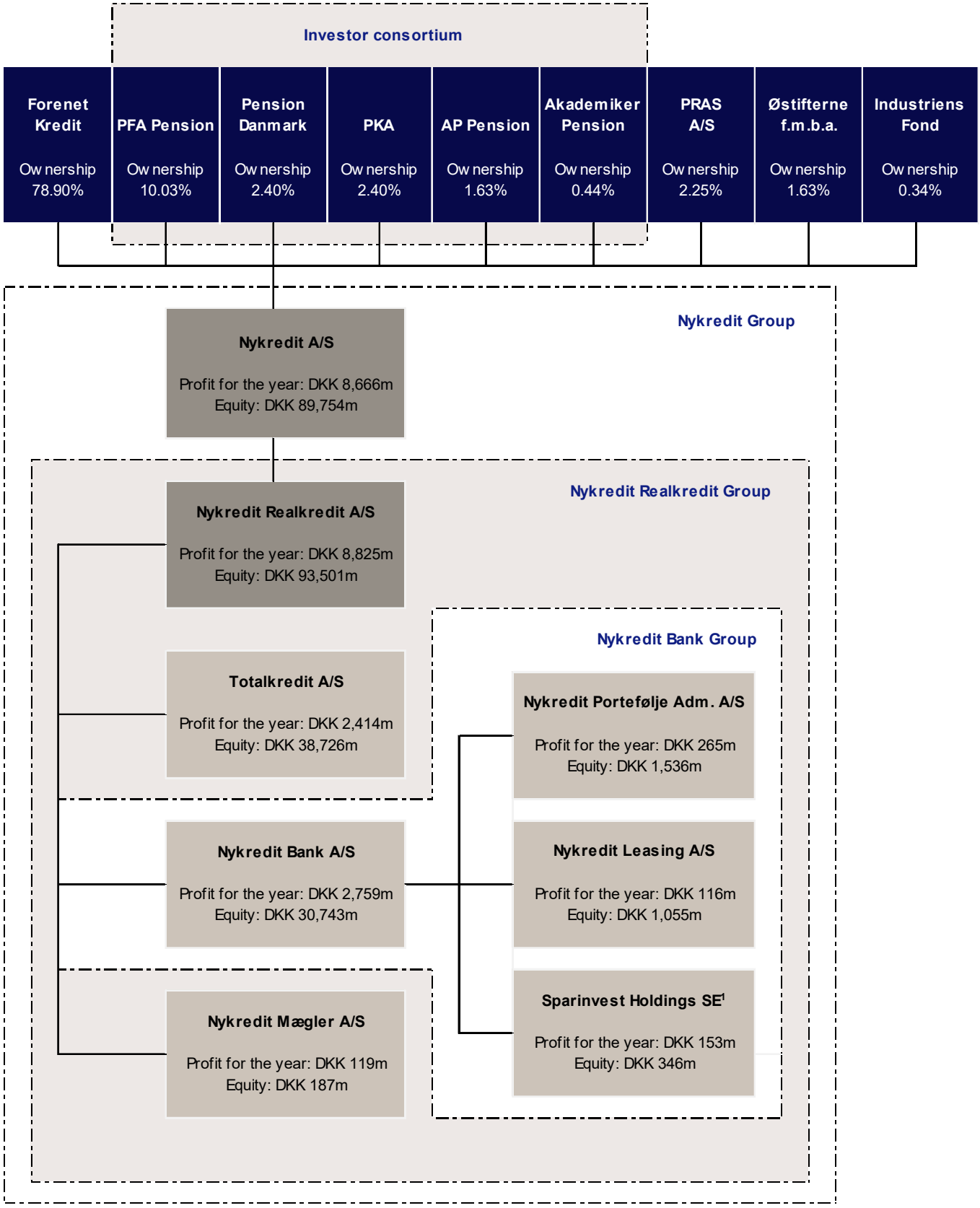
Anders Jensen
Group Managing Director

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

- Annual Report 2021
- CR Report 2021
- Risk and Capital Management 2021.

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

# GROUP CHART




See note 59 for a full Group chart.
[1] Ownership interest 75%.

# 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 5 and the business areas (pages 15-25 and note 3) reflect the internal management reporting.

In certain respects, the presentation of the financial highlights differs from the format of the Financial Statements prepared under the International Financial Reporting Standards (IFRS). No correcting entries have been made, which means that 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 51) 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 eg income from swaps and derivatives transactions currently offered, Nykredit Markets activities, repo deposits and lending, debt capital markets activities as well as other income and expenses not allocated to the business areas, 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) for the year as % of average business capital (ROAC).* The return target appearing from the table in the financial highlights shows profit (loss) for the year relative to average 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.

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

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

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

## STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report for the period 1 January – 31 December 2021 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 2021 and of the results of the Group's and the Parent's operations and the Group's cash flows for the financial year 2021.

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

ESEF-compliant financial reports
In our opinion, the Annual Report of Nykredit Realkredit A/S for the financial year 1 January to 31 December 2021 with the file name NYRR-2021-12-31 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, 9 February 2022

**Executive Board**

Michael Rasmussen
Group Chief Executive

Tonny Thierry Andersen
Group Managing Director

David Hellemann
Group Managing Director

Anders Jensen
Group Managing Director

**Board of Directors**

Merete Eldrup
Chair

Nina Smith
Deputy Chair

Olav Bredgaard Brusen*

Michael Demsitz

Per W. Hallgren

Jørgen Høholt

Hans-Ole Jochumsen

Vibeke Krag

Allan Kristiansen*

Inge Sand*

Kristina Andersen Skiøld*

Preben Sunke

* Staff-elected member

# INDEPENDENT AUDITOR'S REPORT

**To the shareholders of Nykredit Realkredit A/S**

## 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 2021, which comprise income statements, statements of comprehensive income, balance sheets, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company and a consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

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

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

Our opinion is consistent with our long-form audit report to the 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 Company 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.

## Key audit matters

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

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

| Key audit matters | How our audit addressed the key audit matter |
|---|---|
| **Measurement of loans and guarantees**<br><br>A significant part of the Group's assets consists of loans which entail a risk of loss in case of the customer's inability to pay. Also, the Group offers guarantees and other financial products also implying a risk of loss.<br><br>The Group's total loans amounted to DKK 1,508,599 million at 31 December 2021 (DKK 1,459,693 million at 31 December 2020), and total provisions for expected credit losses amounted to DKK 9,625 million at 31 December 2021 (DKK 9,928 million at 31 December 2020).<br><br>We consider the measurement of impairment provisions on loans and provisions for losses on guarantees, etc. (together "exposures") a key audit matter as the measurement implies significant amounts and management estimates. This concerns in particular the assessment of probability of default, staging and the assessment of indication of credit impairment, realisable value of collateral received as well as the customer's ability to pay in case of default.<br><br>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.<br><br>The Group recognises additional impairment provisions based on management estimates in situations where the model-calculated and individually assessed impairment losses are not yet considered to reflect a specific loss risk ("in-model-adjustments" and "post-model-adjustments"), e.g. the effect of COVID-19.<br><br>Reference is made to the accounting policies and note 16 and 52 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. | Based on our risk assessment and knowledge of the industry, we performed the following audit procedures regarding measurement of loans and guarantees:<br><br>■ Assessment of the Group's methods for measuring provisions for expected credit losses and whether methods applied for model-based and individual measurement of expected credit losses are in accordance with IFRS 9.<br>■ 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.<br>■ Sample test of the largest and most risky exposures, including credit-impaired exposures.<br>■ 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.<br>■ 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.<br><br>We also assessed whether disclosures relating to exposures, impairment losses and credit risks meet the relevant accounting rules and tested the amounts therein (note 16 and 52). |
| **Fair value of swaps**<br><br>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.<br><br>The Group's portfolio of swaps at 31 December 2021 include contracts with positive fair value of DKK 15,952 million (DKK 20,673 million at 31 December 2020) and negative fair value of DKK 7,810 million (DKK 10,619 million at 31 December 2020).<br><br>The areas with highest level of judgement and complexity and which therefore require increased audit attention are:<br>■ Valuation models and methods applied for the valuation of swaps<br>■ Management's assumptions and parameters applied to determine credit valuation adjustment (CVA)<br><br>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 48 and 52. | Our audit included an examination of relevant business procedures, test of key controls and analysis of valuations.<br>In addition, our audit procedures included:<br><br>■ 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.<br>■ Assessment of changes to the assumptions compared with trends in the sector as well as historical observations.<br>■ Risk-based test of the valuation of swaps using our internal valuation specialists.<br><br>We also assessed whether disclosures relating to fair value and credit risks meet the relevant accounting rules and tested the amounts therein (note 16, 48 and 52). |

**Statement on the Management Commentary**

Management is responsible for the Management Commentary. Our opinion on the financial statements does not cover the Management Commentary, and we do not express any form of assurance conclusion thereon.

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

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

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

**Management's responsibilities for the financial statements**

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

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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

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

**Report on compliance with the ESEF Regulation**

As part of our audit of the financial statements of Nykredit 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 2021 with the file name NYRR-2021-12-31 is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format.

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

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

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

Lars Rhod Søndergaard
State Authorised
Public Accountant
mne28632

Thomas Hjortkjær Petersen
State Authorised
Public Accountant
mne33748

# INCOME STATEMENTS

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Note | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|---|
| | | **INCOME STATEMENTS** | | | |
| 17,423 | 16,935 | Interest income | 7 | 23,048 | 23,433 |
| - | - | Interest income based on the effective interest method | 7 | 1,894 | 2,016 |
| 13,392 | 13,008 | Interest expenses | 8 | 13,651 | 14,212 |
| **4,031** | **3,927** | **Net interest income** | | **11,291** | **11,237** |
| 45 | 145 | Dividend on equities etc | 9 | 149 | 50 |
| 706 | 857 | Fee and commission income | 10 | 4,303 | 3,815 |
| 73 | 408 | Fee and commission expenses | 11 | 4,129 | 3,747 |
| **4,709** | **4,520** | **Net interest and fee income** | | **11,615** | **11,355** |
| 778 | 1,740 | Value adjustments | 12 | 3573 | 2,050 |
| 1,339 | 1,481 | Other operating income | 13 | 1765 | 1,409 |
| 2,874 | 3,112 | Staff and administrative expenses | 14 | 5661 | 5,290 |
| 253 | 408 | Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets | 15 | 444 | 294 |
| 138 | 202 | Other operating expenses | | 236 | 176 |
| 1,407 | (157) | Impairment charges for loans, advances and receivables etc | 16, 17 | (115) | 2,272 |
| 3,828 | 5,339 | Profit from investments in associates and Group enterprises | 18 | 7 | 8 |
| **5,981** | **9,515** | **Profit before tax** | | **10,734** | **6,791** |
| 329 | 690 | Tax | 19 | 1,863 | 1,118 |
| **5,652** | **8,825** | **Profit for the year** | | **8,870** | **5,673** |
| | | **Distribution of profit for the year** | | | |
| 5,429 | 8,672 | Shareholder of Nykredit Realkredit A/S | | 8,672 | 5,429 |
| - | - | Minority interests | | 45 | 21 |
| 223 | 153 | Holders of Additional Tier 1 capital notes | | 153 | 223 |
| **5,652** | **8,825** | **Profit for the year** | | **8,870** | **5,673** |
| | | **Proposal for the distribution of profit** | | | |
| 3,828 | 5,339 | Statutory reserves | | | |
| (629) | (3,647) | Retained earnings | | | |
| - | 2,600 | Paid extraordinary dividend | | | |
| 2,230 | 4,380 | Proposed dividend | | | |
| 223 | 153 | Additional Tier 1 capital | | | |

# STATEMENTS OF COMPREHENSIVE INCOME

DKK million

| Nykredit Realkredit A/S | | | Nykredit Realkredit Group | |
|---|---|---|---|---|
| 2020 | 2021 | | 2021 | 2020 |
| **5,652** | **8,825** | **Profit for the year** | **8,870** | **5,673** |
| | | **OTHER COMPREHENSIVE INCOME** | | |
| | | **Items that cannot be reclassified to profit or loss:** | | |
| (34) | (27) | Actuarial gains/losses on defined benefit plans | (27) | (34) |
| 7 | 6 | Tax on actuarial gains/losses on defined benefit plans | 6 | 7 |
| - | 2 | Fair value adjustment of owner-occupied properties | 2 | - |
| **(26)** | **(19)** | **Total items that cannot be reclassified to profit or loss** | **(19)** | **(26)** |
| **(26)** | **(19)** | **Other comprehensive income** | **(19)** | **(26)** |
| **5,626** | **8,807** | **Comprehensive income for the year** | **8,852** | **5,646** |
| | | **Distribution of comprehensive income** | | |
| 5,403 | 8,653 | Shareholder of Nykredit Realkredit A/S | 8,653 | 5,403 |
| - | - | Minority interests | 45 | 21 |
| 223 | 153 | Holders of Additional Tier 1 capital notes | 153 | 223 |
| **5,626** | **8,807** | **Comprehensive income for the year** | **8,852** | **5,646** |

# BALANCE SHEETS

DKK million

| Nykredit Realkredit A/S | | | | Nykredit Realkredit Group | |
|---|---|---|---|---|---|
| 2020 | 2021 | | Note | 2021 | 2020 |
| | | **ASSETS** | | | |
| 95 | 2,031 | Cash balances and demand deposits with central banks | | 40,129 | 16,146 |
| 46,819 | 41,032 | Receivables from credit institutions and central banks | 20 | 5,165 | 43,215 |
| 1,413,415 | 1,433,537 | Loans, advances and other receivables at fair value | 21 | 1,382,803 | 1,350,925 |
| 231 | 252 | Loans, advances and other receivables at amortised cost | 22 | 125,796 | 108,768 |
| 40,895 | 28,703 | Bonds at fair value | 23 | 84,589 | 106,094 |
| 637 | 998 | Bonds at amortised cost | 24 | 998 | 637 |
| 6,349 | 6,667 | Equities etc | 25 | 7,368 | 7,046 |
| 26 | 30 | Investments in associates | 26 | 40 | 40 |
| 59,318 | 70,311 | Investments in Group enterprises | 27 | - | - |
| 354 | 269 | Intangible assets | 28 | 2,205 | 2,291 |
| | | **Land and buildings** | | | |
| 14 | 14 | Owner-occupied properties | | 31 | 58 |
| 534 | 377 | Leased properties | | 380 | 540 |
| **548** | **390** | **Total** | 29 | **412** | **598** |
| 178 | 195 | Other property, plant and equipment | 30 | 217 | 188 |
| 67 | 31 | Current tax assets | 39 | 49 | 86 |
| 26 | - | Deferred tax assets | 40 | 130 | 143 |
| 22 | 8 | Assets in temporary possession | 31 | 12 | 22 |
| 5,791 | 5,726 | Other assets | 32 | 23,165 | 29,014 |
| 425 | 285 | Prepayments | | 396 | 555 |
| **1,575,194** | **1,590,464** | **Total assets** | | **1,673,473** | **1,665,767** |

# BALANCE SHEETS

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Note | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|---|
| | | **LIABILITIES AND EQUITY** | | | |
| 1,458 | 2,879 | Payables to credit institutions and central banks | 33 | 14,917 | 14,611 |
| 7,200 | - | Deposits and other payables | 34 | 100,076 | 97,987 |
| 1,408,672 | 1,419,027 | Bonds in issue at fair value | 35 | 1,362,926 | 1,366,709 |
| 46,967 | 55,576 | Bonds in issue at amortised cost | 36 | 59,991 | 52,368 |
| 1,137 | 458 | Other non-derivative financial liabilities at fair value | 37 | 10,830 | 9,723 |
| - | - | Current tax liabilities | 39 | 36 | 74 |
| 8,870 | 8,057 | Other liabilities | 38 | 19,424 | 22,606 |
| 0 | - | Deferred income | | 12 | 14 |
| **1,474,304** | **1,485,997** | **Total payables** | | **1,568,211** | **1,564,092** |
| | | **Provisions** | | | |
| 46 | 28 | Provisions for pensions and similar obligations | 41 | 29 | 47 |
| 183 | 89 | Provisions for deferred tax | 40 | 301 | 395 |
| 32 | 28 | Repayable reserves in pre-1972 series | 42 | 28 | 32 |
| - | - | Provisions for losses under guarantees | 43 | 331 | 241 |
| 56 | 85 | Other provisions | 44 | 245 | 293 |
| **316** | **229** | **Total provisions** | | **934** | **1,008** |
| **10,896** | **10,737** | **Subordinated debt** | 45 | **10,737** | **10,893** |
| | | **Equity** | | | |
| 1,182 | 1,182 | Share capital | | 1,182 | 1,182 |
| | | **Accumulated value adjustments** | | | |
| - | - | - revaluation reserves | | 3 | 5 |
| | | **Other reserves** | | | |
| 25,730 | 30,727 | - statutory reserves | | - | - |
| 41,762 | 32,555 | - series reserves | | 32,555 | 41,762 |
| 3,203 | 3,203 | - non-distributable reserve fund | | 4,849 | 4,849 |
| 11,819 | 17,702 | - retained earnings | | 46,780 | 35,897 |
| 2,230 | 4,380 | - proposed dividend | | 4,380 | 2,230 |
| **85,926** | **89,750** | **Shareholder of Nykredit Realkredit A/S** | | **89,750** | **85,926** |
| - | - | Minority interests | | 112 | 96 |
| 3,753 | 3,751 | Holders of Additional Tier 1 capital | | 3,729 | 3,753 |
| **89,678** | **93,501** | **Total equity** | | **93,591** | **89,774** |
| **1,575,194** | **1,590,464** | **Total liabilities and equity** | | **1,673,473** | **1,665,767** |
| | | **OFF-BALANCE SHEET ITEMS** | 46 | | |
| 34 | - | Contingent liabilities | | 8,987 | 9,121 |
| 9,514 | 8,615 | Other commitments | | 23,087 | 20,762 |
| **9,548** | **8,615** | **Total** | | **32,074** | **29,883** |

# STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Realkredit Group

| 2021 | 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| **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 ordinary dividend | - | - | - | - | - | (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** |
| **2020** | | | | | | | | | | |
| **Equity, 1 January** | **1,182** | **5** | **48,871** | **4,849** | **21,975** | **3,660** | **80,543** | **57** | **3,777** | **84,378** |
| Profit for the year | - | - | - | - | 3,199 | 2,230 | 5,429 | 21 | 223 | 5,673 |
| Total other comprehensive income | - | - | - | - | (26) | - | (26) | - | - | (26) |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **3,173** | **2,230** | **5,403** | **21** | **223** | **5,646** |
| Interest paid on Additional Tier 1 capital | - | - | - | - | - | - | - | - | (233) | (233) |
| Foreign currency translation adjustment of Additional Tier 1 capital | - | - | - | - | 14 | - | 14 | - | (14) | - |
| Issuance of Additional Tier 1 capital | - | - | - | - | - | - | - | - | 3,734 | 3,734 |
| Redemption of Additional Tier 1 capital | - | - | - | - | - | - | - | - | (3,735) | (3,735) |
| Net transaction costs in connection with issuance of Additional Tier 1 capital instruments | - | - | - | - | (35) | - | (35) | - | - | (35) |
| Subsequent adjustment of purchase price allocation | - | - | - | - | - | - | - | 34 | - | 34 |
| Distributed dividend and adjustments | - | - | - | - | - | - | - | (16) | - | (16) |
| Reversed dividend | - | - | - | - | 3,660 | (3,660) | - | - | - | - |
| Adjustment pursuant to capital adequacy rules | - | - | (7,109) | - | 7,109 | - | - | - | - | - |
| Transferred from provisions – pre-1972 series | - | - | - | - | 0 | - | 0 | - | - | 0 |
| Change in own portfolio | - | - | - | - | - | - | - | - | 0 | 0 |
| Other movements | - | - | - | - | 0 | - | 0 | - | - | 0 |
| **Equity 31 December** | **1,182** | **5** | **41,762** | **4,849** | **35,897** | **2,230** | **85,926** | **96** | **3,753** | **89,774** |

[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] A non-distributable reserve fund 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. As authorised by the Danish FSA, on 26 October 2020 Nykredit redeemed the AT1 capital (nominally EUR 500 million/AT1 capital) raised in 2015. On 15 October 2020, Nykredit issued new AT1 capital of nominally EUR 500 million which carries an interest of 4,125% up to 15 October 2026. The loan is perpetual with an early redemption option from April 2026. The loan will be written down if the Common Equity Tier 1 (CET1) capital of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Group falls below 7.125%.

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

# STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Realkredit A/S

| 2021 | Share capital[1] | Non-distributable reserve fund | Statutory reserves[2] | Series reserves | Retained earnings | Proposed dividend | Shareholder of Nykredit Realkredit A/S | Additional Tier 1capital[3] | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance, beginning of period** | **1,182** | **-** | **25,805** | **41,762** | **14,947** | **2,230** | **85,926** | **3,753** | **89,678** |
| Additions, LR | - | 3,203 | (75) | - | (3,128) | - | - | - | - |
| **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** |
| **2020** | | | | | | | | | |
| **Balance, beginning of period** | **1,182** | **-** | **22,217** | **48,871** | **4,613** | **3,660** | **80,543** | **3,778** | **84,321** |
| Additions, LR | - | 3,203 | 3 | - | (3,206) | - | - | - | - |
| **Equity, 1 January** | **1,182** | **3,203** | **22,220** | **48,871** | **1,407** | **3,660** | **80,543** | **3,778** | **84,321** |
| Profit (loss) for the year | - | - | 3,828 | - | (629) | 2,230 | 5,429 | 223 | 5,652 |
| Total other comprehensive income | - | - | - | - | (26) | - | (26) | - | (26) |
| **Total comprehensive income** | **-** | **-** | **3,828** | **-** | **(655)** | **2,230** | **5,403** | **223** | **5,626** |
| Interest paid on Additional Tier 1 capital | - | - | - | - | - | - | - | (233) | (233) |
| Issuance of Additional Tier 1 capital | - | - | - | - | - | - | - | 3,734 | 3,734 |
| Redemption of Additional Tier 1 capital | - | - | - | - | - | - | - | (3,735) | (3,735) |
| Net transaction costs in connection with issuance of Additional Tier 1 capital instruments | - | - | - | - | (35) | - | (35) | - | (35) |
| Foreign currency translation adjustment of Additional Tier 1 capital | - | - | - | - | 14 | - | 14 | (14) | - |
| Reversed dividend | - | - | - | - | 3,660 | (3,660) | - | - | - |
| Dividend from associates | - | - | (3) | - | 3 | - | - | - | - |
| Dividend from Group enterprises | - | - | (257) | - | 257 | - | - | - | - |
| Adjustment pursuant to capital adequacy rules | - | - | - | (7,109) | 7,109 | - | - | - | - |
| Transferred from provisions – pre-1972 series | - | - | - | - | 0 | - | 0 | - | 0 |
| Disposals as a result of voluntary liquidation of company | - | - | (59) | - | 59 | - | - | - | - |
| Other reserves transferred to retained earnings | - | - | 0 | - | - | - | 0 | - | 0 |
| **Equity 31 December** | **1,182** | **3,203** | **25,730** | **41,762** | **11,819** | **2,230** | **85,926** | **3,753** | **89,678** |

[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. The share capital has been fully paid up.

[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. As authorised by the Danish FSA, on 26 October 2020 Nykredit redeemed the AT1 capital (nominally EUR 500 million/AT1 capital) raised in 2015. 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 409 was distributed in 2021 (2020: DKK 0).

**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 2021 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 4.380 million be distributed.

# CASH FLOW STATEMENT

DKK million

| Nykredit Realkredit Group | 2021 | 2020 |
|---|---|---|
| **Profit for the year** | **8,870** | **5,673** |
| **Adjustments** | | |
| Net interest income | (11,291) | (11,237) |
| Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets | 444 | 293 |
| Profit from investments in associates | (7) | (8) |
| Impairment charges for loans, advances and receivables etc | (348) | 2,272 |
| Prepayments/deferred income, net | 157 | 12 |
| Tax on profit for the year | 1,863 | 1,118 |
| Other adjustments | (2,336) | (529) |
| **Total** | **(2,649)** | **(2,405)** |
| **Change in operating capital** | | |
| Loans, advances and other receivables | (48,557) | (59,765) |
| Deposits and payables to credit institutions | 2,394 | (1,993) |
| Bonds in issue | 3,841 | 48,853 |
| Other operating capital | 3,625 | 2,965 |
| **Total** | **(41,346)** | **(12,346)** |
| Interest income received | 24,620 | 25,201 |
| Interest expenses paid | (13,137) | (14,055) |
| Corporation tax paid, net | (1,940) | (1,005) |
| **Cash flows from operating activities** | **(31,804)** | **(2,205)** |
| **Cash flows from investing activities** | | |
| Acquisition of associates | (0) | (2) |
| Sale of associates | - | 2 |
| Dividend received from associates | 7 | 11 |
| Purchase and sale of bonds and equities, net | 22,852 | 2,234 |
| Purchase of intangible assets | (146) | (125) |
| Sale of intangible assets | - | 2 |
| Purchase of property, plant and equipment | (81) | (84) |
| Sale of property, plant and equipment | 40 | 22 |
| **Total** | **22,672** | **2,060** |
| **Cash flows from financing activities** | | |
| Issuance of subordinated debt instruments | 4,436 | - |
| Redemption of subordinated debt | (4,488) | - |
| Distributed dividend | (4,858) | (16) |
| Purchase and sale of self-issued subordinated debt instruments | 3 | 9 |
| Payment of lease liabilities | (162) | (161) |
| **Total** | **(5,069)** | **(168)** |
| **Total cash flows for the year** | **(14,201)** | **(312)** |
| **Cash and cash equivalents, beginning of year** | **59,361** | **59,623** |
| Foreign currency translation adjustment of cash | 134 | 51 |
| Total cash flows for the year | (14,201) | (312) |
| **Cash and cash equivalents, year-end** | **45,294** | **59,361** |
| **Cash and cash equivalents, year-end:** | | |
| Cash balances and demand deposits with central banks | 40,129 | 16,146 |
| Receivables from credit institutions and central banks | 5,165 | 43,215 |
| **Total** | **45,294** | **59,361** |

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Nykredit Realkredit Group


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## 1. ACCOUNTING POLICIES

### GENERAL

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

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

### SPECIAL CIRCUMSTANCES IN 2021

#### Covid-19

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

#### LR Realkredit A/S

The wholly-owned subsidiary LR Realkredit acquired on 31 December 2019 was merged into Nykredit Realkredit with effect from 1 January 2021. As this is considered an intercompany business combination, the uniting-of-interests method has been applied for accounting purposes.

Under this method, the subsidiary's assets and liabilities are recognised at carrying amount and not at fair value. As the companies have used identical principles of recognition and measurement, the uniting-of-interests has not resulted in further adjustments.

Balance sheet comparative figures have been restated in the Financial Statements for the Parent Nykredit Realkredit A/S with effect from 31 December 2019, ie from the date on which Nykredit Realkredit A/S obtained control. Comparative figures for 2020 for the balance sheet, income statement, comprehensive income, cash flow statement and equity have therefore been restated.

The uniting-of-interests does not affect the Financial Statements of the Nykredit Realkredit Group.

#### Interest rate benchmark reform

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

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

*Business areas, note 3*

In order to present income from activity-driven partnerships on an aggregated basis, income from the Shared Valuation partnership has been reclassified from "Trading, investment portfolio and other income" to "Net fee income" in note 3. The changes do not affect the income statement, total comprehensive income, balance sheet or equity. Comparative figures have been restated.

*New or amended standards:*

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

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

#### Other general comments on accounting policies

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

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

### REPORTING STANDARDS AND INTERPRETATIONS NOT YET IN FORCE

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

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

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

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

## SIGNIFICANT ACCOUNTING ASSESSMENTS AND ESTIMATES

### Significant assessments

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

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

### Significant accounting estimates

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

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

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

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

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

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

Note 48 specifies the methods applied to determine the carrying amounts and the specific uncertainties related to the fair value measurement of financial instruments.

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

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

For further details, please refer to note 48. The fair value of unlisted derivative financial instruments was 1.0% of the Group's assets at end-2021 (1.3% at end-2020).

Measured on the basis of level 2 or level 3 inputs of the fair value hierarchy, the fair value of financial assets and liabilities was 87.5% and 0.3%, respectively, of the Group's balance sheet total at end-2021 for financial assets (87.5% and 0.2% at end-2020), and 1.1% and 0.0%, respectively, for financial liabilities (1.1% and 0.0% at end-2020).

The fair value of financial instruments for which no listed prices in an active market are available accounted for 88% of the Group's assets at end-2021 (88% at end-2020).

### Measurement of loans and advances etc – impairments

#### *Covid-19 – special circumstances*

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

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

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

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

At end-2021, Nykredit had made loan impairment provisions of about DKK 2 billion for the consequential loan losses arising from covid-19. This is largely unchanged compared with end-2020. Nykredit's scenario expert team will continue to monitor conditions and regularly assess the need for calculation updates based on input concerning discontinued/new relief packages and support schemes as well as international economic trends where inflation and supply chain issues impact outlooks.

#### *Impairment – in general*

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

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

The determination of impairment of loans and advances etc involves significant estimates and assessments, including determining whether a significant increase in credit risk has occurred since initial recognition. 12-month expected credit losses are initially recognised for loans and advances measured at amortised cost. This does not apply to loans and advances measured at fair value, as these are recognised at fair value under IFRS 13. A non-significant increase will subsequently imply higher 12-month expected credit losses, while a significant increase in the credit risk or impairment of a loan will imply calculation of expected credit losses corresponding to lifetime expected credit losses.

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

In a number of instances, corrections to and changes in assumptions in the impairment models are based on management judgement (post-model adjustments). As at 31 December such post-model adjustments totalled DKK 3,498 million. The underlying reasons, for example changes in agricultural output prices due to changed economic trends and/or changed export potential as well as financial and legal conditions in the real estate sector may generally affect credit risk beyond the outcome derived on the basis of model-based impairments. Local geographical conditions, internal process risk and ongoing monitoring of the loan portfolio may also reflect conditions which macroeconomic projections cannot capture. The estimates are adjusted and evaluated on a regular basis, and it is decided on an individual basis whether to phase out or incorporate an estimate into the models, if necessary. Please refer to "Credit risk" in the Management Commentary.

## RECOGNITION, CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

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

### Recognition of financial instruments

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

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

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

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

### Classification and measurement of financial instruments

Valuation principles and classification of financial instruments are described below as well as in note 48.

**Financial assets are classified as follows:**

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

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

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

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

This assessment is based on the assumption that ordinary rights to prepay loans and/or extend loan terms fulfil the condition that the cash flows are based on collection of interest and principal payments. Some product types are subject to daily interest rate adjustment, but with an interest rate fixing based on a longer time horizon. However, this is not assessed to significantly postpone the time value of the money in the currently low interest rate environment.
Generally, financial liabilities are measured at amortised cost after initial recognition. Financial liabilities may also be measured at fair value if the instrument is

part of an investment strategy or a risk management system based on fair values and is continuously stated at fair value in the reporting to Management, and when measurement at fair value reduces or eliminates an accounting mismatch. Derivative financial instruments, which are liabilities, are always measured at fair value.

***Loans, advances and receivables as well as 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.

Loans, advances and receivables, certain bonds, as well as liabilities are measured at fair value on initial recognition inclusive or exclusive of the inherent transaction costs, and subsequently at amortised cost. For loans, advances and receivables, 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, the amortised cost of the asset is added to or deducted from the fair value of the hedged interest rate risk.

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

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

A financial asset or a financial liability belongs in this category

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

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 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. However, for mortgage loans and their inherent liabilities Nykredit applies the fair value measurement option allowed under the accounting rules with value adjustment through profit or loss.

This should be viewed in the context of mortgage loans granted in accordance with Danish mortgage legislation are funded by issuing listed covered bonds of uniform terms.

Such mortgage loans may be prepaid by delivering the underlying bonds, and the Group buys and sells self-issued covered bonds on a continuing basis as they 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 between the recognition of gains and losses in the Financial Statements. Thus, the purchase price of the portfolio would not equal the amortised cost of the bonds in issue. If the portfolio of self-issued covered bonds was subsequently sold, the new amortised cost of the "new issue" would not equal the amortised cost of the matching mortgage loans, and the difference would be amortised over the remaining time-to-maturity.

In order to prevent a measurement mismatch, mortgage loans are measured at fair value involving an adjustment for the market risk based on the value of the underlying bonds and an adjustment for credit risk based on the impairment need.

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.

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 measured at fair value through profit or loss. In Nykredit, hedging interest rate risk (hedge accounting) is still made according to the IAS 39 rules.

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

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

**Impairment charges for loans, advances and receivables**

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

- Stage 1 covers loans and advances etc without significant increase in credit risk since initial recognition. For this category, impairment provisions at initial recognition are made corresponding to the expected credit losses over a period of 12 months for lending at amortised cost.

  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. Impairment charges for loans and advances etc are subsequently recognised where credit risk has increased equivalent to 12 months' expected credit loss.

If there is an insignificant change in credit risk, the impairment provisions will be adjusted but the exposure will be kept at stage 1.

- Stage 2 covers loans and advances etc with significant increase in credit risk since initial recognition. For this category, impairment provisions are made corresponding to the expected credit losses over the time-to-maturity.
- Stage 3 covers loans and advances that are credit impaired, and which have been subject to individual provisioning on the specific assumption that the customers will default on their loans.

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

The definition of default is dictated by a customer's financial position and payment behaviour. An exposure is considered to be in default when a 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.

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

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

***Stage 1 and stage 2 impairments***

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

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

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

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

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

Generally, three scenarios apply:

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

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

The 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.

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

***Stage 3 impairment***

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

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

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

Relative to large stage 3 exposures, credit officers perform an individual assessment of scenarios as well as changes to credit losses etc. Relative to small

stage 3 exposures, the credit loss is determined using a portfolio model according to the same principles as are used in an individual assessment.

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

***Differences between stages due to credit improvements***

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

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

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

***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.

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

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

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

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

**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 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 1-2 years.

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

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

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

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

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

**Repo deposits and reverse repurchase lending**

Securities sold as part of repo transactions are retained in the appropriate principal balance sheet item, eg "Bonds".
The amount received is recognised under payables in "Payables to credit institutions and central banks" or "Deposits and other payables".

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

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

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. The Group applies IAS 39 rules for hedge accounting.

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

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

If the criteria for hedge accounting are no longer met, the accumulated value adjustment of the hedged item is amortised over its residual life. Please also refer to note 53 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 Realkredit A/S (the Parent) and the enterprises in which Nykredit Realkredit 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 Realkredit A/S and its subsidiaries are collectively referred to as the Nykredit Realkredit 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.

**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. Nykredit has few business activities outside Denmark.

The income statement format of the financial highlights on page 5 and the business areas in note 3 reflect the internal management reporting. 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 51) 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 eg income from swaps and derivatives transactions currently offered, Nykredit Markets activities, repo deposits and lending, debt capital markets activities as well as other income and expenses not allocated to the business areas, 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.

Please refer to note 3.

**INCOME STATEMENT**

**Interest income and expenses etc**

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

Interest income comprises administration margin income on mortgage lending, interest and interest-like income, including interest-like commission received, and other income that forms an integral part of the effective interest of the underlying instruments 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 items.

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

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

**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.

**Fees and commissions**

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

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

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

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

**Other operating income**

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

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

**Other operating expenses**

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

**Tax**

Tax for the year, consisting of current tax for the year and changes to deferred tax and adjustment of tax for previous years, is recognised in the income statement, 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 above description under "Significant accounting estimates and assessments" and "Financial instruments" for these items.

**Investments in associates**

Investments in associates include enterprises that the Nykredit 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.

**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 28 a.

***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 29 a.

Subsequent costs are recognised in the carrying amount of the asset concerned or as a separate asset where it is probable that costs incurred will lead to future economic benefits for the Group, and the costs can be measured reliably. The costs of ordinary repair and maintenance are recognised in the income statement as incurred.

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.

Gains and losses on divested assets are determined by comparing sales proceeds with carrying amounts and are recognised in the income statement under "Other operating income" or "Other operating expenses". On divestment of revalued assets, revaluation amounts contained in the revaluation reserves are transferred to "Retained earnings" under equity without recognition in the income statement.

**Other property, plant and equipment**

***Equipment***

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

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

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

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

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

**Assets in temporary possession**

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

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

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. Defined benefit plans are subject to an annual actuarial calculation (the projected unit credit method) of the value in use of future benefits payable under the plans.

The value in use of defined benefit plans is based on assumptions of the future development in eg wages, interest rates, inflation and mortality. Discounting is based on an interest rate determined in accordance with IAS 19. The value in use is only calculated for benefits to which staff members have become entitled through their employment with the Group.

The fair value of assets relating to defined benefit plans less the actuarial value in use of the pension obligations is recognised in the balance sheet under "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.

***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 2020, no amendments to the Danish Executive Order on Financial Reports have been adopted in 2021 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 concerns the reserves of Totalkredit A/S and Nykredit Realkredit A/S.

## 1. A EUROPEAN SINGLE ELECTRONIC FORMAT

EU Regulation 2019/815 on the European Single Electronic Format (ESEF Regulation) requires companies preparing IFRS financial statements and being issuers of listed securities to make public financial reports approved by the board of directors in the ESEF format. Nykredit Realkredit A/S published its Annual Report for 2020 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 2020 and 2021, the following items of the Consolidated Financial Statements have iXBRL tags reflecting the ESEF taxonomy for 2019, issued by the European Securities and Markets Authority (ESMA):

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

The notes of the Financial Statements will not be tagged until 2023 (the Annual Report for 2022) pursuant to 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-2021-12-31.

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **2. CAPITAL AND CAPITAL ADEQUACY** | | |
| 89,678 | 93,501 | Equity for accounting purposes | 93,591 | 89,774 |
| - | - | Minority interests not included | (112) | (96) |
| (3,753) | (3,751) | Carrying amount of Additional Tier 1 capital recognised in equity | (3,729) | (3,753) |
| **85,926** | **89,750** | **Equity excluding Additional Tier 1 capital and minority interests** | **89,750** | **85,926** |
| (2,230) | (4,380) | Proposed dividend | (4,380) | (2,230) |
| (14) | (23) | Prudent valuation adjustment | (75) | (33) |
| - | - | Minority interests | 51 | 49 |
| (162) | (97) | Intangible assets excluding deferred tax liabilities | (2,032) | (2,099) |
| - | - | Provisions for expected credit losses in accordance with IRB approach | - | (16) |
| (337) | (320) | Other regulatory adjustments | (320) | (337) |
| (2) | - | Interest accrued | - | (2) |
| - | - | Deduction for non-performing exposures | (34) | - |
| **(2,745)** | **(4,820)** | **Common Equity Tier 1 capital regulatory deductions** | **(6,791)** | **(4,669)** |
| **83,181** | **84,930** | **Common Equity Tier 1 capital** | **82,959** | **81,257** |
| 3,720 | 3,696 | Additional Tier 1 capital | 3,706 | 3,729 |
| - | - | Additional Tier 1 regulatory deductions | (21) | (38) |
| **3,720** | **3,696** | **Total Additional Tier 1 capital after regulatory deductions** | **3,685** | **3,691** |
| **86,901** | **88,626** | **Tier 1 capital** | **86,644** | **84,949** |
| 10,787 | 10,766 | Tier 2 capital | 10,777 | 10,793 |
| 1,777 | 1,876 | Tier 2 regulatory adjustments | 2,049 | 1,932 |
| **99,464** | **101,268** | **Own funds** | **99,471** | **97,673** |
| 470,524 | 522,958 | Credit risk | 350,326 | 333,600 |
| 23,703 | 11,587 | Market risk | 24,075 | 40,128 |
| 12,435 | 12,672 | Operational risk | 27,244 | 28,109 |
| **506,662** | **547,218** | **Total risk exposure amount** | **401,644** | **401,837** |
| | | **Financial ratios** | | |
| 16.4 | 15.5 | Common Equity Tier 1 capital ratio, % | 20.6 | 20.2 |
| 17.1 | 16.1 | Tier 1 capital ratio, % | 21.5 | 21.1 |
| 19.6 | 18.5 | Total capital ratio, % | 24.7 | 24.3 |

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

Nykredit has been designated as a systemically important financial institution (SIFI) by the Danish authorities. As a result, a special SIFI CET1 capital buffer requirement of 2% applies to 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 0%.

## 2. 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**

| | 20212 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| **Baseline scenario** | | | | |
| Property prices, growth | 11,4% | 1,9% | 3,1% | 3,8% |
| Interest rates[1] | (0.1)% | (0.1)% | 0,1% | 0,1% |
| Unemployment | 5,5% | 5,1% | 5,0% | 4,9% |
| GDP growth | 4,3% | 3,4% | 2,5% | 2,4% |
| **Weaker economic climate (scenario applied under Pillar II)** | | | | |
| Property prices, growth | 11,4% | (2.0)% | (2.0)% | (2.0)% |
| Interest rates[1] | (0.1)% | 1,0% | 2,1% | 3,1% |
| Unemployment | 5,5% | 5,8% | 6,2% | 6,2% |
| GDP growth | 4,3% | 1,0% | 0,5% | 0,1% |
| **Severe recession (scenario applied for capital policy)** | | | | |
| Property prices, growth | 11,4% | (12.0)% | (10.0)% | (5.0)% |
| Interest rates[1] | (0.1)% | 2,5% | 3,5% | 4,5% |
| Unemployment | 5,5% | 7,5% | 9,2% | 9,8% |
| GDP growth | 4,3% | (3.0)% | (2.0)% | 0,0% |

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

[2] 2021 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.

### 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. Since 2020 the covid-19 crisis and its economic impacts have been closely monitored. Due to the growing inflationary pressures in 2021, 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.

In 2021 Nykredit participated in the stress test exercises of the European Banking Authority (EBA). 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 2021, 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.

DKK million

Nykredit Realkredit Group

### 3. BUSINESS AREAS

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

| RESULTS 2021 | Personal Banking | Business Banking | **Total Retail** | Corporates & Institutions | **Total Banking** | **Totalkredit Partners** | **Wealth Management** | **Group Items** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| **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.

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 583 million (2020: DKK 570 million). The international loan portfolio totalled DKK 72 billion at end-2021 (2020: DKK 70 billion). The international loan portfolio comprises loans and advances in Sweden, Spain, France and Germany.

DKK million

Nykredit Realkredit Group

### 3. BUSINESS AREAS (CONTINUED)

| RESULTS 2020 | Personal Banking | Business Banking | **Total Retail** | Corporates & Institutions | **Total Banking** | **Totalkredit Partners** | **Wealth Management** | **Group Items** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| **Results by business area** | | | | | | | | | |
| Net interest income | 1,912 | 2,747 | 4,660 | 1,947 | 6,607 | 2,978 | 185 | 10 | 9,780 |
| Net fee income | 674 | 607 | 1,281 | 592 | 1,873 | 575 | 32 | (42) | 2,438 |
| Wealth management income | 397 | 136 | 534 | 131 | 665 | - | 1,261 | 24 | 1,950 |
| Net interest from capitalisation | (75) | (133) | (208) | (141) | (349) | (222) | (10) | 160 | (421) |
| Net income relating to customer benefits programmes[1] | - | - | - | - | - | (5) | - | (199) | (203) |
| Trading, investment portfolio and other income | 17 | 161 | 178 | 338 | 516 | 0 | 37 | 473 | 1,026 |
| **Income** | **2,926** | **3,519** | **6,444** | **2,867** | **9,311** | **3,326** | **1,505** | **426** | **14,569** |
| Costs | 2,170 | 1,192 | 3,362 | 716 | 4,078 | 719 | 883 | 81 | 5,762 |
| **Business profit before impairment charges** | **756** | **2,327** | **3,082** | **2,151** | **5,233** | **2,607** | **622** | **345** | **8,807** |
| Impairment charges for loans and advances | 98 | 1,531 | 1,629 | 304 | 1,933 | 291 | 56 | (8) | 2,272 |
| **Business profit** | **658** | **796** | **1,454** | **1,846** | **3,300** | **2,315** | **567** | **353** | **6,535** |
| Legacy derivatives | (3) | 53 | 50 | 207 | 258 | - | 0 | - | 258 |
| Badwill | - | - | - | - | - | - | - | (2) | (2) |
| **Profit before tax** | **655** | **849** | **1,504** | **2,054** | **3,558** | **2,315** | **567** | **351** | **6,791** |
| Of which transactions between the business areas | 434 | 146 | 580 | (341) | 239 | (49) | (346) | 157 | - |
| Average allocated business capital | 5,673 | 15,391 | 21,064 | 15,311 | 36,374 | 16,206 | 1,061 | 9,393 | 63,034 |
| Business profit as % of average business capital[2] | 11.6 | 5.2 | 6.9 | 12.1 | 9.1 | 14.3 | 53.4 | | 10.4 |
| **BALANCE SHEET** | | | | | | | | | |
| **Assets** | | | | | | | | | |
| Mortgage loans etc at fair value | 175,097 | 223,750 | 398,846 | 256,764 | 655,611 | 683,846 | 11,174 | - | 1,350,630 |
| Reverse repurchase lending | | | | | | | | 37,271 | 37,271 |
| Loans and advances at amortised cost | 11,287 | 23,779 | 35,066 | 32,355 | 67,420 | - | 3,561 | 164 | 71,146 |
| **Assets by business area** | **186,384** | **247,529** | **433,912** | **289,119** | **723,031** | **683,846** | **14,735** | **37,436** | **1,459,047** |
| Unallocated assets | | | | | | | | | 206,720 |
| **Total assets** | | | | | | | | | **1,665,767** |
| **Liabilities and equity** | | | | | | | | | |
| Repo deposits | | | | | | | | 9,874 | 9,874 |
| Bank deposits and other payables at amortised cost | 38,938 | 24,645 | 63,582 | 8,843 | 72,425 | - | 14,649 | 1,195 | 88,269 |
| **Liabilities by business area** | **38,938** | **24,645** | **63,582** | **8,843** | **72,425** | **-** | **14,649** | **11,069** | **98,143** |
| Unallocated liabilities | | | | | | | | | 1,477,849 |
| Equity | | | | | | | | | 89,774 |
| **Total liabilities and equity** | | | | | | | | | **1,665,767** |

[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.

DKK million

Nykredit Realkredit Group

## 4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Earnings presentation in Management Commentary | Reclassification | Income statement | Earnings presentation in Management Commentary | Reclassification | Income statement |
| Net interest income | 9,978 | 1,313 | 11,291 | 9,780 | 1,457 | 11,237 |
| Dividend on equities etc | | 149 | 149 | | 50 | 50 |
| Fee and commission income, net | 2,406 | (2,232) | 175 | 2,438 | (2,370) | 68 |
| **Net interest and fee income** | | **(770)** | **11,615** | | **(863)** | **11,355** |
| | | | | | | |
| Wealth management income | 2,324 | (2,324) | - | 1,950 | (1,950) | - |
| Net interest from capitalisation | (484) | 484 | - | (421) | 421 | - |
| Net income relating to customer benefits programmes | (414) | 414 | - | (203) | 203 | - |
| Trading, investment portfolio and other income | 2,718 | (2,718) | - | 1,026 | (1,026) | - |
| Value adjustments | | 3,573 | 3,573 | | 2,050 | 2,050 |
| Other operating income | | 1,765 | 1,765 | | 1,409 | 1,409 |
| **Income** | **16,529** | | | **14,569** | | |
| Costs | 6,343 | (1) | 6,341 | 5,762 | (1) | 5,760 |
| **Business profit before impairment charges** | **10,186** | | | **8,807** | | |
| Impairment charges for loans and advances etc | (115) | (0) | (115) | 2,272 | - | 2,272 |
| Profit from investments in associates and Group enterprises | | 7 | 7 | | 8 | 8 |
| **Business profit** | **10,302** | | | **6,535** | | |
| Legacy derivatives | 432 | (432) | - | 258 | (258) | - |
| Badwill | - | - | - | (2) | 2 | - |
| **Profit before tax** | **10,733** | **0** | **10,734** | **6,791** | **-** | **6,791** |

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

The most important difference is that all income is recognised in 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.

DKK million

Nykredit Realkredit Group

| | 2021 | 2020 |
|---|---|---|
| **5. FEE AND COMMISSION INCOME** | | |
| **Revenue from contracts with customers (IFRS 15) by business area** | | |
| Retail | 662 | 606 |
| Corporates & Institutions | 344 | 325 |
| **Total Banking** | **1,006** | **932** |
| Totalkredit Partners | 638 | 829 |
| Wealth Management | 2,325 | 1,949 |
| Group Items | 286 | 64 |
| **Total** | **4,254** | **3,774** |
| Total including income from financial guarantees | 4,303 | 3,815 |

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

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

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

Revenue comprised by IFRS 15 mainly relates to:

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

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

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

DKK million

Nykredit Realkredit Group

## 6. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

| 2021 | 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 | (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 | | | | | |

| 2020 | 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 | (47) | 61 | (107) | - | - | (107) |
| Lending and deposits | 1,989 | (117) | 2,106 | - | 3 | 2,109 |
| Repo transactions and reverse repurchase lending | (169) | (87) | (82) | - | - | (82) |
| Bonds | (0) | - | (0) | - | - | (0) |
| Subordinated debt | - | 358 | (358) | - | - | (358) |
| Other financial instruments | 141 | 116 | 25 | - | - | 25 |
| **Total** | **1,914** | **331** | **1,583** | **-** | **3** | **1,586** |
| **Financial portfolios at fair value and financial instruments at fair value** | | | | | | |
| Mortgage loans and bonds in issue[1] | 21,658 | 12,204 | 9,454 | - | 18 | 9,472 |
| - of which administration margin income | 9,338 | - | 9,338 | - | - | 9,338 |
| Bonds | 324 | - | 324 | - | 708 | 1,032 |
| Equities etc | - | - | - | 50 | 362 | 412 |
| Derivative financial instruments | (124) | - | (124) | - | 723 | 600 |
| **Total** | **21,859** | **12,204** | **9,654** | **50** | **1,811** | **11,515** |
| Foreign currency translation adjustment | | | | | 236 | 236 |
| **Net interest income etc and value adjustments** | **23,772** | **12,535** | **11,237** | **50** | **2,050** | **13,337** |
| Negative interest income | 727 | 727 | - | | | |
| Positive interest expenses | 950 | 950 | - | | | |
| **Total** | **25,449** | **14,212** | **11,237** | | | |
| KundeKroner and ErhvervsKroner discounts are offset against interest income and for the period amounted to | 1,439 | | | | | |

[1] Recognised at fair value under the fair value option.

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **7. INTEREST INCOME** | | |
| 8 | 74 | Receivables from credit institutions and central banks | (51) | (64) |
| 12,100 | 11,771 | Loans, advances and other receivables | 13,723 | 14,158 |
| 3,754 | 3,680 | Administration margin income | 9,610 | 9,338 |
| | | **Bonds** | | |
| 115 | 116 | - self-issued covered bonds (SDOs, ROs) | 119 | 186 |
| 120 | 87 | - other covered bonds | 76 | 134 |
| 32 | 10 | - government bonds | 23 | 49 |
| 173 | 169 | - other bonds | 192 | 219 |
| | | **Derivative financial instruments** | | |
| (14) | (6) | - foreign exchange contracts | 41 | 50 |
| 162 | 198 | - interest rate contracts and active contracts | (191) | (174) |
| 297 | 317 | Other interest income | 113 | 141 |
| **16,747** | **16,416** | **Total** | **23,655** | **24,036** |
| (188) | (214) | Set-off of interest from self-issued bonds – note 8 | (219) | (264) |
| **16,559** | **16,202** | **Total** | **23,436** | **23,772** |
| 318 | 300 | Negative interest income | 635 | 727 |
| 546 | 433 | Positive interest expenses | 871 | 950 |
| **17,423** | **16,935** | **Total interest income** | **24,942** | **25,449** |
| - | - | Of which interest income based on the effective interest method | 1,894 | 2,016 |
| | | **Of which interest income from reverse repurchase lending entered as:** | | |
| (35) | (27) | Receivables from credit institutions and central banks | (32) | (17) |
| - | - | Loans, advances and other receivables | (161) | (165) |
| | | **Of total interest income:** | | |
| - | - | Interest income accrued on impaired financial assets measured at amortised cost | 45 | 41 |
| - | - | Interest income accrued on fixed-rate bank loans | 64 | 74 |
| - | - | Interest income from finance leases | 133 | 143 |
| | | Interest income accrued on bank loans subject to stage 3 impairment totalled DKK 45 million (2020: DKK 41 million). Nykredit Bank A/S generally does not charge interest on individually impaired loans. Interest income attributable to the impaired part of loans after the first time of impairment is offset against subsequent impairment. | | |
| | | **8. INTEREST EXPENSES** | | |
| 11 | 24 | Credit institutions and central banks | 95 | 46 |
| (46) | (7) | Deposits and other payables | (296) | (189) |
| 12,386 | 12,130 | Bonds in issue | 12,186 | 12,468 |
| 358 | 282 | Subordinated debt | 282 | 358 |
| 8 | 59 | Other interest expenses | 96 | 116 |
| **12,716** | **12,489** | **Total** | **12,364** | **12,799** |
| (188) | (214) | Set-off of interest from self-issued bonds – note 7 | (219) | (264) |
| **12,528** | **12,275** | **Total** | **12,145** | **12,535** |
| 546 | 433 | Negative interest expenses | 871 | 950 |
| 318 | 300 | Negative interest income | 635 | 727 |
| **13,392** | **13,008** | **Total interest expenses** | **13,651** | **14,212** |
| 6 | 4 | Of which interest expenses relating to lease liabilities | 9 | 6 |
| | | **Of which interest expenses from repo transactions entered as:** | | |
| (6) | 0 | Credit institutions and central banks | (14) | (13) |
| (46) | (7) | Deposits and other payables | (41) | (73) |

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **9. DIVIDEND ON EQUITIES ETC** | | |
| 45 | 145 | Dividend | 149 | 50 |
| **45** | **145** | **Total** | **149** | **50** |
| | | **10. FEE AND COMMISSION INCOME** | | |
| - | - | Fees etc relating to financial instruments measured at amortised cost | 44 | 266 |
| - | - | Fees from asset management activities and other fiduciary activities | 2,292 | 1,851 |
| 706 | 857 | Other fees | 1,967 | 1,698 |
| **706** | **857** | **Total** | **4,303** | **3,815** |
| | | **11. FEE AND COMMISSION EXPENSES** | | |
| - | - | Fees etc relating to financial instruments measured at amortised cost | 116 | 152 |
| - | - | Fees from asset management activities and other fiduciary activities | 263 | 245 |
| 73 | 408 | Other fees | 3,750 | 3,350 |
| **73** | **408** | **Total** | **4,129** | **3,747** |
| | | **12. VALUE ADJUSTMENTS** | | |
| | | **Assets measured at fair value through profit or loss** | | |
| 1,617 | (8,427) | Mortgage loans, a) | (37,392) | 6,658 |
| 5,152 | (28,897) | Totalkredit mortgage loan funding, a) | - | - |
| (23) | (21) | Other loans, advances and receivables at fair value, a) | 6 | 3 |
| 635 | (288) | Bonds, a) | (8) | 708 |
| 284 | 1,746 | Equities etc, a) | 1,997 | 362 |
| 44 | 11 | Foreign exchange[1] | 165 | 236 |
| (180) | 127 | Foreign exchange, interest rate and other contracts as well as derivative financial instruments[2], a) | 1,240 | 713 |
| - | - | Other assets | 8 | 10 |
| | | **Liabilities measured at fair value through profit or loss** | | |
| (1,599) | 8,591 | Bonds in issue, a) | 37,556 | (6,640) |
| (5,152) | 28,897 | Other liabilities | - | - |
| **778** | **1,740** | **Total** | **3,573** | **2,050** |
| | | [1] Of which value adjustment of assets and liabilities recognised at amortised cost | 316 | 255 |
| | | [2] Of which value adjustment of interest rate swaps | 549 | 350 |
| | | a) Financial assets and liabilities classified at fair value on initial recognition. | | |
| | | **Of which value adjustment relating to fair value hedging for accounting purposes** | | |
| - | - | Fair value hedging | - | 2 |
| | | **13. OTHER OPERATING INCOME** | | |
| 225 | 225 | Distributed by Forenet Kredit f.m.b.a. | 1,300 | 1,250 |
| - | - | Badwill | - | (2) |
| - | - | Income from leasing | 102 | 96 |
| 1,114 | 1,257 | Other income | 363 | 65 |
| **1,339** | **1,481** | **Total** | **1,765** | **1,409** |

DKK million

| Nykredit Realkredit A/S 2020 | 2021 | | Nykredit Realkredit Group 2021 | 2020 |
|---|---|---|---|---|
| | | **14. STAFF AND ADMINISTRATIVE EXPENSES** | | |
| 55 | 52 | Remuneration of Board of Directors and Executive Board | 52 | 55 |
| 2,053 | 2,182 | Staff expenses | 3,552 | 3,353 |
| 766 | 878 | Other administrative expenses | 2,057 | 1,882 |
| **2,874** | **3,112** | **Total** | **5,661** | **5,290** |
| | | **Remuneration of Board of Directors and Executive Board** | | |
| | | **Board of Directors** | | |
| 4 | 4 | Fees etc | 4 | 4 |
| | | **Executive Board** | | |
| 41 | 42 | Base salaries | 42 | 41 |
| 6 | 6 | Pension | 6 | 6 |
| 4 | - | Variable remuneration | - | 4 |
| **55** | **52** | **Total** | **52** | **55** |

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **14. STAFF AND ADMINISTRATIVE EXPENSES (CONTINUED)** | | |
| | | **Staff expenses** | | |
| 1,581 | 1,693 | Salaries | 2,796 | 2,623 |
| 178 | 194 | Pensions | 299 | 276 |
| 278 | 275 | Payroll tax | 428 | 430 |
| 15 | 19 | Other social security expenses | 29 | 23 |
| **2,053** | **2,182** | **Total** | **3,552** | **3,353** |
| 116 | 111 | 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: | 183 | 211 |
| | | Details of Nykredit's remuneration policy appear from page 41 of the Management Commentary under Remuneration and at nykredit.com/loenpolitik. | | |
| | | **Remuneration of material risk takers is included in "Staff expenses" and breaks down into:** | | |
| 160 | 154 | Base salaries | 269 | 293 |
| 23 | 40 | Variable remuneration | 73 | 68 |
| **183** | **193** | **Total** | **342** | **361** |
| | | Material risk takers are only offered defined contribution pension plans. | | |
| | | Variable remuneration comprises variable remuneration components in the financial year as well as bonus provided for at the end of the financial year. The final bonus is determined during the first quarter of the following financial year. | | |
| | | **Number of staff** | | |
| 2,556 | 2,660 | Average number of staff for the financial year, full-time equivalent | 3,907 | 3,799 |
| | | **Fees to auditor appointed by the General Meeting** | | |
| 5 | - | Deloitte | - | 13 |
| - | 4 | EY | 10 | - |
| | | **Total fees include:** | | |
| 3 | 3 | Statutory audit of the Financial Statements | 7 | 8 |
| 1 | 0 | Other assurance engagements | 1 | 3 |
| 0 | - | Tax advice | - | 0 |
| 1 | 1 | Other services | 2 | 1 |
| **5** | **4** | **Total** | **10** | **13** |

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

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **15. DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS** | | |
| | | **Intangible assets** | | |
| 51 | 69 | - amortisation | 94 | 81 |
| - | 134 | - impairment charges | 134 | - |
| | | **Property, plant and equipment** | | |
| 45 | 47 | - depreciation | 56 | 54 |
| - | - | - impairment charges | 0 | 1 |
| - | - | - reversal of impairment charges | (1) | - |
| | | **Leased properties** | | |
| 157 | 157 | - depreciation | 161 | 157 |
| **253** | **408** | **Total** | **444** | **294** |

DKK million

Nykredit Realkredit Group

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

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

| Total impairment provisions | Loans and advances at fair value 2021 | Loans and advances at fair value 2020 | Loans and advances at amortised cost 2021 | Loans and advances at amortised cost 2020 | Credit institutions 2021 | Credit institutions 2020 | Guarantees etc[1] 2021 | Guarantees etc[1] 2020 | Total 2021 | Total 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Beginning of year** | **6,652** | **5,365** | **3,012** | **2,526** | **22** | **28** | **241** | **137** | **9,928** | **8,056** |
| New impairment provisions as a result of additions and change in credit risk | 2,789 | 3,600 | 1,135 | 1,482 | 4 | 4 | 227 | 174 | 4,156 | 5,261 |
| Releases as a result of redemptions and change in credit risk | 2,700 | 2,004 | 1,313 | 964 | 3 | 10 | 137 | 70 | 4,152 | 3,049 |
| Impairment provisions written off | 222 | 293 | 115 | 82 | - | - | - | - | 336 | 375 |
| Other adjustments and interest from impaired facilities | (2) | - | 34 | 51 | - | - | - | - | 32 | 51 |
| Transferred to "Impairment provisions for properties acquired by foreclosure" | 2 | 17 | - | - | - | - | - | - | 2 | 17 |
| **Total impairment provisions, year-end** | **6,515** | **6,652** | **2,755** | **3,012** | **24** | **22** | **331** | **241** | **9,625** | **9,928** |
| **Earnings impact** | | | | | | | | | | |
| Change in impairment provisions for loans and advances (stages 1-3) | 89 | 1,596 | (177) | 518 | 2 | (6) | 90 | 104 | 4 | 2,212 |
| Write-offs for the year not previously written down for impairment | 161 | 347 | 20 | 22 | - | - | - | - | 181 | 369 |
| Recoveries on claims previously written off | (93) | (89) | (48) | (52) | - | - | - | - | (141) | (141) |
| **Total** | **157** | **1,855** | **(205)** | **488** | **2** | **(6)** | **90** | **104** | **44** | **2,441** |
| Value adjustment of assets in temporary possession | (2) | (22) | - | - | - | - | - | - | (2) | (22) |
| Value adjustment of claims previously written off | (38) | 25 | (3) | (13) | - | - | - | - | (41) | 12 |
| Losses offset, in accordance with partnership agreement[1] | (117) | (159) | - | - | - | - | - | - | (117) | (159) |
| **Earnings impact** | **0** | **1,699** | **(208)** | **475** | **2** | **(6)** | **90** | **104** | **(115)** | **2,272** |

[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 2021 and still sought to be recovered totalled DKK 355 million at 31 December 2021 (2020: DKK 604 million).

Of total impairment provisions for mortgage lending determined under IFRS 9, 30% or DKK 2 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, 3% or DKK 0.1 billion was attributable to customers who have gone bankrupt, are undergoing bankruptcy proceedings or compulsory dissolution, or who are deceased.

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

DKK million

Nykredit Realkredit Group

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

### 16 b. Total impairment provisions by stage

| | Loans and advances at fair value | | | Loans and advances at amortised cost | | | Guarantees etc | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **2021** | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 | Total |
| **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** |

| | Loans and advances at fair value | | | Loans and advances at amortised cost | | | Guarantees etc | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **2020** | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 | Total |
| **Beginning of year** | **1,591** | **1,233** | **2,541** | **425** | **199** | **1,930** | **52** | **38** | **46** | **8,056** |
| Transfer to stage 1 | 297 | (200) | (97) | 124 | (86) | (38) | 12 | (12) | (0) | - |
| Transfer to stage 2 | (111) | 418 | (307) | (46) | 211 | (164) | (4) | 9 | (5) | - |
| Transfer to stage 3 | (13) | (265) | 278 | (11) | (22) | 33 | (1) | (5) | 5 | - |
| Impairment provisions for new loans and advances (additions) | 82 | 204 | 211 | 30 | 58 | 121 | 12 | 12 | 5 | 737 |
| Additions as a result of change in credit risk | 731 | 1,408 | 964 | 209 | 412 | 656 | 32 | 75 | 37 | 4,524 |
| Releases as a result of change in credit risk | 827 | 558 | 620 | 279 | 188 | 507 | 35 | 14 | 21 | 3,049 |
| Previously written down for impairment, now written off | - | - | 309 | 0 | 0 | 82 | - | - | - | 392 |
| Other adjustments and interest from impaired facilities | - | - | - | - | - | 51 | - | - | - | 51 |
| **Total impairment provisions, year-end** | **1,751** | **2,241** | **2,661** | **450** | **584** | **2,001** | **70** | **104** | **67** | **9,928** |
| **Total, year-end** | | **6,652** | | | **3,034** | | | **241** | | **9,928** |
| **Impairment provisions, year-end, are moreover attributable to:** | | | | | | | | | | |
| Credit institutions | | | | 22 | - | - | | | | 22 |
| **Earnings impact, 2020** | **(14)** | **1,054** | **556** | **(41)** | **282** | **270** | **10** | **73** | **21** | **2,212** |

The principles of impairment are described in detail in the accounting policies (note 1) of the Annual Report for 2021.

DKK million

Nykredit Realkredit Group

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

### 16 c. Loans, advances and guarantees etc by stage

| 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 | 6,423 | 2,505 | 391 | 9,319 |
| Total impairment provisions, year-end | 69 | 169 | 94 | 331 |
| **Value, year-end** | **6,354** | **2,336** | **297** | **8,988** |

| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Loans and advances at fair value, gross** | | | | |
| Loans and advances at fair value, gross | 1,291,075 | 52,110 | 14,392 | 1,357,577 |
| Total impairment provisions, year-end | 1,751 | 2,241 | 2,661 | 6,652 |
| **Value, year-end** | **1,289,324** | **49,869** | **11,732** | **1,350,925** |
| **Loans and advances at amortised cost excluding credit institutions, gross** | | | | |
| Loans and advances at amortised cost excluding credit institutions, gross | 96,628 | 12,201 | 2,951 | 111,781 |
| Total impairment provisions, year-end | 428 | 584 | 2,001 | 3,012 |
| **Value, year-end** | **96,200** | **11,618** | **950** | **108,768** |
| **Guarantees etc** | | | | |
| Guarantees etc | 5,856 | 3,275 | 231 | 9,362 |
| Total impairment provisions, year-end | 70 | 104 | 67 | 241 |
| **Value, year-end** | **5,786** | **3,171** | **164** | **9,121** |

DKK million

Nykredit Realkredit Group

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

### 16 d. Loans at fair value, gross, by stage

| 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** |

| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Gross lending etc, 1 January 2020** | **1,246,256** | **35,597** | **11,123** | **1,292,975** |
| Transfer to stage 1 | 3,316 | (3,292) | (25) | - |
| Transfer to stage 2 | (5,040) | 5,747 | (707) | - |
| Transfer to stage 3 | (531) | (1,590) | 2,121 | - |
| Other movements[1] | 47,074 | 15,648 | 1,880 | 64,602 |
| **Total, 31 December 2020** | **1,291,075** | **52,110** | **14,392** | **1,357,577** |
| Total provisions | 1,751 | 2,241 | 2,661 | 6,652 |
| **Carrying amount** | **1,289,324** | **49,869** | **11,731** | **1,350,925** |

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

DKK million

Nykredit Realkredit Group

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

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

| 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** |

| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Gross lending etc, 1 January 2020** | **109,982** | **4,574** | **2,560** | **117,116** |
| Transfer to stage 1 | 1,659 | (1,567) | (92) | - |
| Transfer to stage 2 | (8,820) | 8,955 | (135) | - |
| Transfer to stage 3 | (342) | (265) | 607 | - |
| Other movements[1] | (5,851) | 505 | 11 | (5,336) |
| **Total, 31 December 2020** | **96,628** | **12,201** | **2,951** | **111,781** |
| Total provisions | 428 | 584 | 2,001 | 3,012 |
| **Carrying amount** | **96,200** | **11,618** | **950** | **108,768** |

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

DKK million

Nykredit Realkredit Group

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

### 16 d. Guarantees by stage, gross

| 2021 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Gross guarantees etc, 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** | **6,354** | **2,336** | **297** | **8,986** |

| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Gross guarantees etc, 1 January 2020** | **5,418** | **1,094** | **241** | **6,753** |
| Transfer to stage 1 | 374 | (371) | (3) | - |
| Transfer to stage 2 | (1,622) | 1,636 | (14) | - |
| Transfer to stage 3 | (58) | (68) | 126 | - |
| Other movements[1] | 1,744 | 984 | (118) | 2,609 |
| **Total, 31 December 2020** | **5,855** | **3,275** | **231** | **9,362** |
| Total provisions | 70 | 104 | 67 | 241 |
| **Carrying amount** | **5,786** | **3,171** | **164** | **9,121** |

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

DKK million

Nykredit Realkredit Group

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

### 16 e. Financial assets, gross, by stage

| | Financial assets, gross | | | | of which financial assets excluding impairment | | | |
|---|---|---|---|---|---|---|---|---|
| **2021** | 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 | **1,389,318** | - | - | - | **-** |
| 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** | **1,567,013** | **60,901** | **-** | **-** | **60,901** |

| | Financial assets, gross | | | | of which financial assets excluding impairment | | | |
|---|---|---|---|---|---|---|---|---|
| **2020** | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| Financial assets at fair value | 1,291,075 | 52,110 | 14,392 | **1,357,577** | - | - | - | **-** |
| Financial assets at amortised cost | 96,628 | 12,201 | 2,951 | **111,781** | 37,271 | - | - | **37,271** |
| Balances with credit institutions | 7,178 | - | - | **7,178** | 2,383 | - | - | **2,383** |
| Guarantees | 5,856 | 3,275 | 231 | **9,362** | - | - | - | **-** |
| Bank loan commitments | 27,543 | - | - | **27,543** | | | | |
| Mortgage loan commitments | 8,297 | - | - | **8,297** | 8,297 | - | - | **8,297** |
| **Total, 31 December 2020** | **1,436,577** | **67,587** | **17,574** | **1,521,738** | **47,951** | **-** | **-** | **47,951** |

DKK million

Nykredit Realkredit Group

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

### 16 f. Mortgage loans at fair value by rating category

| 2021 | Mortgage lending, gross | | | Total impairment provisions | | |
|---|---|---|---|---|---|---|
| **Rating category** | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| 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** |

| 2020 | Mortgage lending, gross | | | Total impairment provisions | | |
|---|---|---|---|---|---|---|
| **Rating category** | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| 10 | 335,968 | 1,038 | - | 250 | 18 | - |
| 9 | 299,500 | 2,786 | - | 322 | 48 | - |
| 8 | 266,686 | 3,395 | - | 344 | 68 | - |
| 7 | 178,213 | 4,563 | - | 280 | 119 | - |
| 6 | 99,023 | 3,799 | - | 183 | 135 | - |
| 5 | 52,435 | 3,611 | - | 156 | 115 | - |
| 4 | 29,299 | 5,109 | - | 84 | 175 | - |
| 3 | 22,488 | 6,643 | - | 95 | 238 | - |
| 2 | 5,604 | 5,167 | - | 30 | 224 | - |
| 1 | 1,858 | 5,289 | - | 5 | 334 | - |
| 0 | - | 3,652 | - | 1 | 233 | - |
| Exposures in default | - | 7,059 | 14,392 | 0 | 533 | 2,661 |
| **Total** | **1,291,075** | **52,110** | **14,392** | **1,751** | **2,241** | **2,661** |

DKK million

Nykredit Realkredit Group

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

### 16 f. Bank lending at amortised cost by rating category

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

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

DKK million

Nykredit Realkredit Group

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

### 16 g. Mortgage lending and total impairment provisions by property category

| 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** |

| 2020 | Mortgage lending | | | Total impairment provisions | | |
|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| Owner-occupied dwellings | 826,048 | 25,339 | 4,001 | 602 | 1,078 | 946 |
| Private rental | 111,884 | 5,080 | 1,280 | 223 | 274 | 269 |
| Industry and trades | 23,126 | 612 | 158 | 32 | 25 | 27 |
| Office and retail | 118,305 | 7,245 | 1,833 | 339 | 251 | 361 |
| Agricultural property | 74,820 | 9,196 | 5,049 | 489 | 460 | 779 |
| Public housing | 81,350 | 1,321 | 145 | 3 | 11 | 13 |
| Cooperative housing | 35,661 | 1,435 | 1,114 | 41 | 94 | 191 |
| Other | 19,880 | 1,884 | 812 | 21 | 48 | 75 |
| **Fair value** | **1,291,075** | **52,110** | **14,392** | **1,751** | **2,241** | **2,661** |

DKK million

Nykredit Realkredit Group

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

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

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

| 2020 | Bank loans, advances and guarantees | | | Total impairment provisions | | |
|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| **Public sector** | **867** | **3** | **-** | **4** | **0** | **-** |
| Agriculture, hunting, forestry and fishing | 3,017 | 416 | 182 | 14 | 19 | 151 |
| Manufacturing, mining and quarrying | 7,638 | 1,986 | 550 | 47 | 65 | 303 |
| Energy supply | 6,686 | 435 | 14 | 20 | 10 | 10 |
| Construction | 2,272 | 348 | 209 | 21 | 17 | 160 |
| Trade | 7,015 | 1,954 | 272 | 87 | 102 | 264 |
| Transport, accommodation and food service activities | 5,906 | 1,375 | 96 | 50 | 51 | 83 |
| Information and communication | 2,731 | 565 | 73 | 17 | 11 | 78 |
| Finance and insurance | 42,075 | 1,133 | 139 | 19 | 71 | 55 |
| Real estate | 13,511 | 3,172 | 479 | 86 | 163 | 347 |
| Other | 6,978 | 1,535 | 267 | 47 | 83 | 224 |
| **Total business customers** | **97,831** | **12,918** | **2,280** | **407** | **592** | **1,675** |
| Personal customers | 24,383 | 2,556 | 551 | 87 | 96 | 393 |
| **Total** | **123,081** | **15,477** | **2,831** | **498** | **688** | **2,068** |
| - of which intercompany guarantees | 20,639 | - | - | | | |

DKK million

Nykredit Realkredit A/S

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

### 17 a. Impairment charges for loans, advances and receivables etc

| Total impairment provisions | Loans and advances at fair value 2021 | Loans and advances at fair value 2020 | Credit institutions 2021 | Credit institutions 2020 | Total 2021 | Total 2020 |
|---|---|---|---|---|---|---|
| **Beginning of year** | **4,944** | **3,845** | **10** | **6** | **4,954** | **3,851** |
| Additions LR Realkredit A/S | 75 | 51 | - | - | 75 | 51 |
| **Balance, 1 January** | **5,019** | **3,896** | **10** | **6** | **5,029** | **3,902** |
| New impairment provisions as a result of additions and change in credit risk | 1,836 | 2,658 | 3 | 4 | 1,839 | 2,661 |
| Releases as a result of redemptions and change in credit risk | 1,963 | 1,352 | - | - | 1,963 | 1,352 |
| Impairment provisions written off | 90 | 169 | - | - | 90 | 169 |
| Other adjustments and interest from impaired facilities | (1) | - | - | - | (1) | - |
| Transferred to "Impairment provisions for properties acquired by foreclosure" | 7 | 14 | - | - | 7 | 14 |
| **Total impairment provisions, year-end** | **4,793** | **5,018** | **13** | **10** | **4,806** | **5,028** |
| Of which LR Realkredit A/S | **-** | **75** | **-** | **-** | **-** | **75** |
| **Earnings impact** | | | | | | |
| Change in impairment provisions for loans and advances (stages 1-3) | (127) | 1,305 | 3 | 4 | (124) | 1,309 |
| Write-offs for the year, not previously written down for impairment | 61 | 132 | - | - | 61 | 132 |
| Recoveries on claims previously written off | (60) | (52) | - | - | (60) | (52) |
| **Total** | **(126)** | **1,385** | **3** | **4** | **(123)** | **1,389** |
| Value adjustment of assets in temporary possession | (4) | (22) | - | - | (4) | (22) |
| Value adjustment of claims previously written off | (30) | 40 | - | - | (30) | 40 |
| **Earnings impact** | **(160)** | **1,403** | **3** | **4** | **(157)** | **1,407** |
| Of which LR Realkredit A/S | **-** | **25** | **-** | **-** | **-** | **25** |

The contractual amounts outstanding on financial assets written off in 2021 and still sought to be recovered totalled DKK 143 million at 31 December 2021 (2020: DKK 281 million).

DKK million

Nykredit Realkredit A/S

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

### 17 b. Total impairment provisions by stage

| | Loans and advances | | | |
|---|---|---|---|---|
| **2021** | Stage 1 | Stage 2 | Stage 3 | Total |
| Beginning of year | 1,209 | 1,420 | 2,325 | 4,954 |
| Additions LR Realkredit A/S | 11 | 39 | 25 | 75 |
| **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)** |

| | Loans and advances | | | |
|---|---|---|---|---|
| **2020** | Stage 1 | Stage 2 | Stage 3 | Total |
| Beginning of year | 935 | 656 | 2,260 | 3,851 |
| Additions LR Realkredit A/S | 22 | 9 | 20 | 51 |
| **Total, 1 January 2020** | **957** | **665** | **2,280** | **3,903** |
| Transfer to stage 1 | 181 | (90) | (92) | - |
| Transfer to stage 2 | (69) | 332 | (263) | - |
| Transfer to stage 3 | (8) | (212) | 220 | - |
| Impairment provisions for new loans and advances (additions) | 60 | 180 | 197 | 437 |
| Additions as a result of change in credit risk | 623 | 872 | 729 | 2,224 |
| Releases as a result of change in credit risk | 524 | 289 | 540 | 1,352 |
| Previously written down for impairment, now written off | - | - | 183 | 183 |
| **Total impairment provisions, year-end** | **1,199** | **1,450** | **2,329** | **4,978** |
| Of which LR Realkredit A/S | 11 | 39 | 25 | 75 |
| **Impairment provisions, end of period, are moreover attributable to:** | | | | |
| Credit institutions | 10 | - | - | 10 |
| **Earnings impact for 2020** | **160** | **763** | **386** | **1,309** |
| Of which LR Realkredit A/S | (11) | 30 | 5 | 25 |

DKK million

Nykredit Realkredit A/S

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

### 17 c. Loans and advances etc by stage

| 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** |

| 2020 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Loans and advances at fair value etc, gross** | | | | |
| Loans and advances etc at fair value, gross | 496,347 | 32,144 | 12,397 | 540,887 |
| Total impairment provisions, year-end | 1,211 | 1,459 | 2,350 | 5,019 |
| **Loans and advances, carrying amount** | **495,136** | **30,685** | **10,047** | **535,868** |
| Of which LR Realkredit A/S | 18,282 | 1,826 | 652 | 20,760 |

DKK million

Nykredit Realkredit A/S

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

### 17 d. Loans at fair value by stage, gross

| | 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** |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Gross lending etc, 1 January 2020** | **506,427** | **22,446** | **9,522** | **538,395** |
| Transfer to stage 1 | 1,356 | (1,333) | (22) | - |
| Transfer to stage 2 | (2,310) | 2,664 | (354) | - |
| Transfer to stage 3 | (166) | (685) | 851 | - |
| Other movements[1] | (8,960) | 9,052 | 2,400 | 2,492 |
| **Total, 31 December 2020** | **496,347** | **32,144** | **12,397** | **540,887** |
| Total provisions | 1,211 | 1,459 | 2,350 | 5,019 |
| **Carrying amount** | **495,136** | **30,685** | **10,047** | **535,868** |

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

DKK million

| Nykredit Realkredit A/S 2020 | 2021 | | Nykredit Realkredit Group 2021 | 2020 |
|---|---|---|---|---|
| | | **17. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (CONTINUED)** | | |
| | | **17 e. Impairment provisions for properties acquired by foreclosure** | | |
| **36** | **28** | **Impairment provisions, beginning of year** | **31** | **41** |
| 14 | 1 | Transfer from impairment provisions for loans and advances | 2 | 17 |
| 17 | 12 | Impairment provisions for the year | 15 | 22 |
| 39 | 16 | Reversal of impairment | 17 | 44 |
| - | 7 | Impairment provisions written off | 10 | 5 |
| **28** | **18** | **Impairment provisions, year-end** | **21** | **31** |
| | | Impairment provisions for properties acquired by foreclosure have been offset against "Assets in temporary possession". | | |
| | | **18. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES** | | |
| 1 | 2 | Profit (loss) from investments in associates | 7 | 8 |
| 3,827 | 5,336 | Profit from investments in Group enterprises | - | - |
| **3,828** | **5,339** | **Total** | **7** | **8** |
| | | **19. TAX** | | |
| | | **19 a. Tax on profit for the year** | | |
| | | **Tax on profit for the year has been calculated as follows:** | | |
| 369 | 742 | Current tax | 1,925 | 1,131 |
| (43) | (51) | Deferred tax | (49) | (23) |
| 7 | 10 | Adjustment of tax relating to previous years | 15 | (17) |
| (4) | (11) | Adjustment of deferred tax relating to previous years | (27) | 27 |
| **329** | **690** | **Tax** | **1,863** | **1,118** |
| | | **Tax on profit for the year can be specified as follows:** | | |
| 1,339 | 2,093 | Calculated 22% tax on profit before tax | 2,361 | 1,494 |
| | | **Tax effect of:** | | |
| (1,082) | (1,559) | Non-taxable income | (648) | (466) |
| 97 | 156 | Non-deductible expenses and other adjustments | 163 | 108 |
| (25) | (1) | Adjustment of tax relating to previous years | (13) | (18) |
| **329** | **690** | **Total** | **1,863** | **1,118** |
| 22.0 | 22.0 | Current tax rates, % | 22.0 | 22.0 |
| 16.5 | 14.8 | Permanent deviations | 4.6 | 5.5 |
| **5.5** | **7.2** | **Effective tax rate, %** | **17.4** | **16.5** |
| | | Permanent deviations are attributable to investments in Group enterprises and associates, equities, badwill as well as contributions from Forenet Kredit f.m.b.a | | |
| | | **19 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 14 | 428 | 430 |

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **20. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS** | | |
| 9,406 | - | Receivables from central banks | - | 36,037 |
| 30,760 | 40,564 | Receivables from credit institutions | 3,795 | 4,795 |
| - | - | Reverse repurchase lending to central banks | - | - |
| 6,653 | 468 | Reverse repurchase lending to credit institutions | 1,370 | 2,383 |
| **46,819** | **41,032** | **Total** | **5,165** | **43,215** |
| 8,768 | - | of which certificates of deposit serving as collateral security to the Danish central bank and foreign clearing centres of a total market value of | - | 8,768 |
| | | **Receivables from credit institutions and central banks by time-to-maturity** | | |
| 5,922 | 8,372 | On demand | 3,993 | 5,413 |
| 15,709 | 3,355 | Up to 3 months | 1,172 | 37,802 |
| 7,323 | 2,755 | Over 3 months and up to 1 year | - | - |
| 15,865 | 18,971 | Over 1 year and up to 5 years | - | - |
| 2,000 | 7,577 | Over 5 years | - | - |
| **46,819** | **41,032** | **Total** | **5,165** | **43,215** |
| | | **21. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE** | | |
| 535,665 | 529,970 | Mortgage lending | 1,382,551 | 1,350,630 |
| 203 | 146 | Arrears and outlays | 252 | 295 |
| 929 | 790 | Loans to Totalkredit serving as collateral in capital centres | - | - |
| 876,618 | 902,631 | Totalkredit mortgage loan funding | - | - |
| **1,413,415** | **1,433,537** | **Total** | **1,382,803** | **1,350,925** |
| 20,760 | - | Of which LR Realkredit A/S | | |
| | | **21 a. Mortgage loans** | | |
| **522,399** | **523,062** | **Balance, beginning of year, nominal value** | **1,321,486** | **1,262,689** |
| 78,056 | 65,220 | New loans | 290,012 | 298,845 |
| 135 | 1 | Indexation | 1 | 135 |
| 830 | (637) | Foreign currency translation adjustment | (637) | 830 |
| (16,045) | (15,016) | Ordinary principal payments | (32,545) | (32,299) |
| (62,313) | (47,356) | Prepayments and extraordinary principal payments | (187,240) | (208,714) |
| **523,062** | **525,274** | **Balance, year-end, nominal value** | **1,391,076** | **1,321,486** |
| 20,209 | - | Of which LR Realkredit A/S | | |
| (18) | - | Loans transferred relating to properties in temporary possession | - | (20) |
| **523,044** | **525,274** | **Total** | **1,391,076** | **1,321,465** |
| 17,569 | 9,390 | Adjustment for interest rate risk etc | (2,158) | 35,695 |
| | | **Adjustment for credit risk** | | |
| (4,948) | (4,695) | Impairment provisions | (6,368) | (6,530) |
| **535,665** | **529,970** | **Balance year-end, fair value** | **1,382,551** | **1,350,630** |

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **21. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (CONTINUED)** | | |
| | | **As collateral for loans and advances, Nykredit has received mortgages over real estate and:** | | |
| 60,833 | 67,228 | Supplementary guarantees totalling | 115,899 | 105,515 |
| 1,125 | 863 | Interim loan guarantees totalling | 30,501 | 26,954 |
| 4,093 | 2,599 | Mortgage registration guarantees etc totalling | 25,256 | 30,901 |
| | | **Mortgage loans at nominal value by property category:** | | |
| | | Loans and advances as %, year-end | | |
| 8 | 6 | Owner-occupied housing | 60 | 60 |
| 0 | 0 | Holiday homes | 4 | 3 |
| 21 | 22 | Public housing | 8 | 8 |
| 22 | 23 | Private residential rental properties | 9 | 9 |
| 4 | 4 | Industry and trades properties | 2 | 2 |
| 23 | 24 | Office and retail properties | 9 | 9 |
| 17 | 16 | Agricultural properties etc | 6 | 7 |
| 4 | 4 | Properties used for social, cultural or educational purposes | 1 | 2 |
| **100** | **100** | **Total** | **100** | **100** |
| | | For more details on mortgage lending by loan type and property category, please refer to page 37 of the Management Commentary. | | |
| | | **21 b. Arrears and outlays** | | |
| 222 | 231 | Arrears before impairment provisions | 378 | 374 |
| 53 | 14 | Outlays before impairment provisions | 22 | 43 |
| (71) | (99) | Individual impairment provisions for arrears and outlays | (147) | (122) |
| **203** | **146** | **Total** | **252** | **295** |
| | | **Mortgage loans, arrears and outlays as well as other loans and advances by time-to-maturity** | | |
| 4,387 | 4,436 | Up to 3 months | 10,149 | 10,517 |
| 14,265 | 15,963 | Over 3 months and up to 1 year | 31,667 | 30,482 |
| 100,452 | 98,373 | Over 1 year and up to 5 years | 187,741 | 190,189 |
| 416,763 | 411,343 | Over 5 years | 1,153,247 | 1,119,737 |
| **535,868** | **530,116** | **Total** | **1,382,803** | **1,350,925** |
| | | The breakdown by time-to-maturity is based on mortgage loans at fair value, arrears and outlays as well as other loans and advances after impairment provisions. | | |

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **21. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (CONTINUED)** | | |
| | | **21 c. Loans to Totalkredit serving as collateral in capital centres** | | |
| | | **Loans to Totalkredit serving as collateral in capital centres by time-to-maturity** | | |
| 112 | 579 | Up to 3 months | - | - |
| 816 | 211 | Over 1 year and up to 5 years | - | - |
| **929** | **790** | **Total** | **-** | **-** |
| | | **21 d. Totalkredit mortgage loan funding** | | |
| **828,905** | **858,817** | **Balance, beginning of year – nominal value** | **-** | **-** |
| 268,327 | 298,735 | New loans | - | - |
| (13,790) | (16,921) | Ordinary principal payments | - | - |
| (224,625) | (226,196) | Prepayments and extraordinary principal payments | - | - |
| **858,817** | **914,436** | **Balance, year-end, nominal value** | **-** | **-** |
| 17,801 | (11,805) | Adjustment for interest rate risk | - | - |
| **876,618** | **902,631** | **Balance, year-end, fair value** | **-** | **-** |
| | | **Totalkredit mortgage loan funding by time-to-maturity** | | |
| 56,664 | 46,386 | Up to 3 months | - | - |
| 79,952 | 59,421 | Over 3 months and up to 1 year | - | - |
| 298,709 | 306,423 | Over 1 year and up to 5 years | - | - |
| 441,293 | 490,401 | Over 5 years | - | - |
| **876,618** | **902,631** | **Total** | **-** | **-** |
| | | The breakdown by time-to-maturity is based on Totalkredit mortgage loan funding at fair value | | |
| | | **22. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST** | | |
| - | - | Bank lending | 77,268 | 74,158 |
| 10 | 8 | Totalkredit mortgage loan funding | - | - |
| - | - | Mortgage lending | 7 | 10 |
| - | - | Reverse repurchase lending | 50,900 | 37,271 |
| 221 | 244 | Other loans and advances | 375 | 342 |
| **231** | **252** | **Balance, year-end** | **128,551** | **111,781** |
| | | **Adjustment for credit risk** | | |
| - | - | Impairment provisions | (2,755) | (3,012) |
| **231** | **252** | **Balance after impairment provisions, year-end** | **125,796** | **108,768** |
| - | - | Set-off of "Other loans and advances" against "Bonds in issue at amortised cost" – note 36 | - | - |
| **231** | **252** | **Total** | **125,796** | **108,768** |
| | | 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. | | |
| - | - | Of total loans and advances, fixed-rate bank loans represent | 179 | 189 |
| - | - | Market value of fixed-rate loans | 182 | 195 |

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **22. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (CONTINUED)** | | |
| | | **Loans, advances and other receivables at amortised cost by time-to-maturity** | | |
| - | - | On demand | 5,912 | 6,327 |
| 2 | 2 | Up to 3 months | 62,719 | 50,238 |
| 6 | 7 | Over 3 months and up to 1 year | 14,106 | 12,623 |
| 41 | 45 | Over 1 year and up to 5 years | 33,243 | 30,791 |
| 182 | 197 | Over 5 years | 9,815 | 8,788 |
| **231** | **252** | **Total** | **125,796** | **108,768** |
| | | The breakdown by time-to-maturity is based on loans and advances after impairment and after set-off of self-issued securities. | | |
| | | **22 a. Bank loans and advances** | | |
| | | **Non-accrual loans or loans carrying a reduced interest rate** | | |
| - | - | Non-accrual loans | 41 | 17 |
| - | - | Loans carrying a reduced interest rate | 4 | 3 |
| | | **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 | 2 |
| - | - | Manufacturing, mining and quarrying | 8 | 7 |
| - | - | Energy supply | 4 | 5 |
| - | - | Construction | 2 | 2 |
| - | - | Trade | 6 | 6 |
| - | - | Transport, accommodation and food service activities | 4 | 5 |
| - | - | Information and communication | 2 | 2 |
| - | - | Finance and insurance | 37 | 31 |
| - | - | Real estate | 11 | 12 |
| - | - | Other | 6 | 6 |
| **-** | **-** | **Total business customers** | **82** | **81** |
| - | - | Personal customers | 18 | 19 |
| **-** | **-** | **Total** | **100** | **100** |
| | | The sector distribution is based on the official Danish activity codes. | | |

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **22. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (CONTINUED)** | | |
| | | **22 a. Bank loans and advances (continued)** | | |
| | | **Finance leases** | | |
| | | Of total loans and advances at amortised cost, finance leases represent | | |
| - | - | **Balance, beginning of year** | **5,921** | **5,915** |
| - | - | Additions | 2,506 | 2,619 |
| - | - | Disposals | (2,567) | (2,614) |
| **-** | **-** | **Balance, year-end** | **5,860** | **5,921** |
| - | - | Impairment provisions for finance leases represent | 88 | 86 |
| | | **Finance leases by time-to-maturity** | | |
| - | - | Up to 3 months | 631 | 618 |
| - | - | Over 3 months and up to 1 year | 1,307 | 1,308 |
| - | - | Over 1 year and up to 5 years | 3,666 | 3,768 |
| - | - | Over 5 years | 256 | 226 |
| **-** | **-** | **Total** | **5,860** | **5,921** |
| | | 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** | | |
| | | **Gross investments in finance leases by time-to-maturity** | | |
| - | - | Up to 1 year | 2,014 | 1,991 |
| - | - | Over 1 year and up to 5 years | 3,878 | 3,946 |
| - | - | Over 5 years | 625 | 506 |
| **-** | **-** | **Total** | **6,518** | **6,443** |
| - | - | Non-earned income | 657 | 523 |
| | | **23. BONDS AT FAIR VALUE** | | |
| 26,037 | 28,323 | Self-issued SDOs | 83,614 | 63,466 |
| 18,966 | 23,823 | Self-issued ROs | 28,392 | 27,847 |
| - | - | Self-issued corporate bonds | - | 174 |
| 8,312 | 8,170 | Self-issued senior debt | 8,170 | 8,312 |
| 29,283 | 19,559 | Other covered bonds | 70,927 | 91,554 |
| 7,881 | 6,105 | Government bonds | 9,172 | 9,929 |
| 3,283 | 3,039 | Other bonds | 4,489 | 4,611 |
| **93,763** | **89,018** | **Total** | **204,765** | **205,892** |
| (26,028) | (28,315) | Set-off of self-issued SDOs against "Bonds in issue at fair value" – note 35 | (83,606) | (63,456) |
| (10) | (8) | Set-off of self-issued SDOs against "Bonds in issue at amortised cost" – note 36 | (8) | (10) |
| (18,518) | (23,823) | Set-off of self-issued ROs against "Bonds in issue at fair value" – note 35 | (28,392) | (27,847) |
| - | - | Set-off of self-issued corporate bonds against "Bonds in issue at amortised cost" – note 36 | - | (174) |
| (8,004) | (8,002) | Set-off of self-issued senior debt against "Bonds in issue at fair value" – note 35 | (8,002) | (8,004) |
| (308) | (169) | Set-off of self-issued senior unsecured debt against "Bonds in issue at amortised cost" – note 36 | (169) | (308) |
| **40,895** | **28,703** | **Total** | **84,589** | **106,094** |

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **23. BONDS AT FAIR VALUE (CONTINUED)** | | |
| | | **Of bonds at fair value before set-off of self-issued bonds:** | | |
| 3,127 | 5,108 | As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of | 13,272 | 8,095 |
| | | The deposits were made on an arm's length basis in connection with clearing and settlement of securities and foreign exchange trades. The deposits are adjusted on a daily basis and generally have a repayment term of very few days. | | |
| | | Collateral security was provided on an arm's length basis. | | |
| | | As the majority – around DKK 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. | | |
| | | **24. BONDS AT AMORTISED COST** | | |
| 176 | 552 | Other covered bonds | 552 | 176 |
| 306 | 298 | Government bonds | 298 | 306 |
| 154 | 149 | Other bonds | 149 | 154 |
| **637** | **998** | **Total** | **998** | **637** |
| | | **25. EQUITIES ETC** | | |
| 6,349 | 6,667 | Equities measured at fair value through profit or loss | 7,368 | 7,046 |
| **6,349** | **6,667** | **Total** | **7,368** | **7,046** |
| | | **25 a. Equities measured at fair value through profit or loss** | | |
| 2,650 | 2,520 | Listed on Nasdaq Copenhagen | 2,588 | 2,695 |
| 1,093 | 954 | Listed on other stock exchanges | 954 | 1,093 |
| 2,605 | 3,194 | Unlisted equities carried at fair value | 3,826 | 3,257 |
| **6,349** | **6,667** | **Total** | **7,368** | **7,046** |

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **26. INVESTMENTS IN ASSOCIATES** | | |
| **15** | **14** | **Cost, beginning of year** | **17** | **16** |
| - | 0 | Additions | 0 | 2 |
| (1) | - | Disposals | - | (1) |
| **14** | **14** | **Cost, year-end** | **17** | **17** |
| **14** | **12** | **Revaluations and impairment charges, beginning of year** | **22** | **27** |
| 1 | 2 | Profit | 8 | 8 |
| (3) | (4) | Dividend | (11) | (11) |
| (1) | 4 | Reversal of revaluations and impairment | 4 | (1) |
| **12** | **16** | **Revaluations and impairment charges, year-end** | **22** | **22** |
| **26** | **30** | **Balance, year-end** | **40** | **40** |
| | | **27. INVESTMENTS IN GROUP ENTERPRISES** | | |
| **33,661** | **33,643** | **Cost, beginning of year** | **-** | **-** |
| 645 | 6,000 | Additions | - | - |
| (664) | - | Disposals | - | - |
| **33,643** | **39,643** | **Cost, year-end** | **-** | **-** |
| **22,163** | **25,675** | **Revaluations and impairment charges, beginning of year** | **-** | **-** |
| 3,827 | 5,336 | Profit | - | - |
| (65) | (148) | Dividend | - | - |
| (58) | - | Reversal of revaluations and impairment | - | - |
| (191) | (195) | Other movements in capital | - | - |
| **25,675** | **30,668** | **Revaluations and impairment charges, year-end** | **-** | **-** |
| **59,318** | **70,311** | **Balance, year-end** | **-** | **-** |
| 58,588 | 69,469 | Of which credit institutions | - | - |
| | | **Subordinated receivables** | | |
| 4,000 | 4,000 | Group enterprises | - | - |
| 1,619 | 1,009 | Other enterprises | 1,256 | 2,165 |
| **5,619** | **5,009** | **Total** | **1,256** | **2,165** |

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **28. INTANGIBLE ASSETS** | | |
| - | - | Goodwill | 1,770 | 1,770 |
| - | - | Fixed-term rights | 4 | 5 |
| 158 | 125 | Software | 173 | 183 |
| 195 | 144 | Development projects in progress | 144 | 195 |
| - | - | Customer relationships | 114 | 138 |
| **354** | **269** | **Total** | **2,205** | **2,291** |
| | | **28 a. Goodwill** | | |
| **-** | **-** | **Cost, beginning of year** | **1,770** | **1,699** |
| - | - | Adjustment of cost, beginning of 2020 | - | 70 |
| **-** | **-** | **Cost, year-end** | **1,770** | **1,770** |
| **-** | **-** | **Balance, year-end** | **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 using an expected inflation rate. The effect thereof has been partly offset by synergies resulting from the acquisition. The discount rate applied is 10% in 2021 (7.5% after tax) compared with 11% in 2020 (8.5% after tax). The determination is based on an analysis of the equity market's return requirements for investment management and portfolio administration.

DKK million

| Nykredit Realkredit A/S 2020 | 2021 | | Nykredit Realkredit Group 2021 | 2020 |
|---|---|---|---|---|
| | | **28. INTANGIBLE ASSETS (CONTINUED)** | | |
| | | **28 a. Goodwill (continued)** | | |
| | | **The impairment test is based on the following assumptions:** | | |

| | 2021 | 2020 |
|---|---|---|
| Acquired goodwill | 1,770 | 1,770 |
| Required rate of return before tax, % | 10 | 11 |
| Average annual business growth in the budget period, % | 6 | 6 |
| Fixed annual business growth in the terminal period, % | 2 | 2 |

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

| Nykredit Realkredit A/S 2020 | 2021 | | Nykredit Realkredit Group 2021 | 2020 |
|---|---|---|---|---|
| | | **28 b. Software** | | |
| **1,341** | **1,343** | **Cost, beginning of year** | **1,375** | **1,349** |
| 3 | 154 | Additions | 182 | 26 |
| - | (1,100) | Disposals | (1,101) | - |
| **1,343** | **397** | **Cost, year-end** | **456** | **1,375** |
| **(1,134)** | **(1,185)** | **Amortisation and impairment, beginning of year** | **(1,193)** | **(1,137)** |
| (51) | (69) | Amortisation for the year | (73) | (56) |
| - | (120) | Impairment for the year | (120) | - |
| - | 284 | Impairment provisions reversed | 284 | - |
| - | 819 | Amortisation reversed | 819 | - |
| **(1,185)** | **(272)** | **Amortisation and impairment, year-end** | **(283)** | **(1,193)** |
| **158** | **125** | **Balance, year-end** | **173** | **183** |
| | | **28 c. Development projects in progress** | | |
| **108** | **203** | **Cost, beginning of year** | **203** | **108** |
| 97 | 119 | Additions | 119 | 97 |
| (3) | (178) | Disposals | (178) | (3) |
| **203** | **144** | **Cost, year-end** | **144** | **203** |
| **(7)** | **(7)** | **Amortisation and impairment, beginning of year** | **(7)** | **(7)** |
| - | 14 | Impairment for the year | 14 | - |
| - | (7) | Impairment provisions reversed | (7) | - |
| **(7)** | **-** | **Amortisation and impairment, year-end** | **-** | **(7)** |
| **195** | **144** | **Balance, year-end** | **144** | **195** |

DKK million

| Nykredit Realkredit A/S | | | Nykredit Realkredit Group | |
|---|---|---|---|---|
| 2020 | 2021 | | 2021 | 2020 |
| | | **28 d. Customer relationships** | | |
| **-** | **-** | **Cost, beginning of year** | **170** | **170** |
| - | - | Additions | - | - |
| **-** | **-** | **Cost, year-end** | **170** | **170** |
| | | | | |
| **-** | **-** | **Amortisation and impairment, beginning of year** | **(32)** | **(8)** |
| - | - | Amortisation for the year | (24) | (24) |
| **-** | **-** | **Amortisation and impairment, year-end** | **(56)** | **(32)** |
| | | | | |
| **-** | **-** | **Balance, year-end** | **114** | **138** |
| | | | | |
| | | Customer relationships etc are amortised over 3-13 years. | | |
| - | - | Residual amortisation period at 31 December (average number of years) | 5 | 6 |

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

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **29. LAND AND BUILDINGS** | | |
| 14 | 14 | Owner-occupied properties | 31 | 57 |
| 0 | - | Property under construction | - | 0 |
| 534 | 377 | Leased properties | 380 | 540 |
| **548** | **390** | **Total** | **412** | **598** |
| | | **29 a. Owner-occupied properties** | | |
| **15** | **15** | **Cost, beginning of year** | **65** | **82** |
| - | - | Additions, including improvements | - | 0 |
| - | - | Disposals | (33) | (17) |
| **15** | **15** | **Cost, year-end** | **32** | **65** |
| **-** | **-** | **Revaluations, beginning of year** | **2** | **2** |
| **-** | **-** | Additions for the year recognised in "Other comprehensive income" | 1 | 0 |
| **-** | **-** | **Revaluations, year-end** | **3** | **2** |
| **1** | **1** | **Depreciation and impairment, beginning of year** | **10** | **10** |
| 0 | 0 | Depreciation for the year | 0 | 1 |
| - | - | Impairment for the year | 0 | 0 |
| - | - | Reversal of depreciation and impairment | (6) | (1) |
| **1** | **1** | **Depreciation and impairment, year-end** | **4** | **10** |
| **14** | **14** | **Balance, year-end** | **31** | **57** |
| | | Owner-occupied properties are depreciated over a period of 20-50 years. | | |
| 0 | 0 | Residual depreciation period at 31 December (average number of years) | 15 | 12 |
| | | The latest revaluation of owner-occupied properties was made at end-2019. | | |
| | | The valuations were carried out by an internal valuer based on the return method. In 2021 the required rate of return ranged between 6.0% and 7.5% (6.6% on average) depending on the nature, location and state of repair of the owner-occupied property. | | |
| - | - | If no revaluations had been made, the carrying amount of owner-occupied properties would have been: | 28 | 59 |
| | | **29 b. Property under construction** | | |
| **0** | **-** | **Cost, beginning of year** | **-** | **0** |
| 0 | - | Additions, including improvements | - | 0 |
| 0 | - | Disposals | - | 0 |
| **0** | **-** | **Cost, year-end** | **-** | **0** |

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **29. LAND AND BUILDINGS (CONTINUED)** | | |
| | | **29 c. Leased properties** | | |
| **826** | **855** | **Cost, beginning of year** | **860** | **824** |
| 29 | - | Additions and disposals | (2) | 37 |
| **855** | **855** | **Cost, year-end** | **858** | **860** |
| **164** | **322** | **Depreciation and impairment, beginning of year** | **320** | **162** |
| 157 | 157 | Depreciation for the year | 157 | 158 |
| **322** | **479** | **Depreciation and impairment, year-end** | **478** | **320** |
| **534** | **377** | **Balance, year-end** | **380** | **540** |

Leased assets concern properties from which Nykredit operates (owner-occupied properties). IFRS 16 was implemented in 2019. 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 382 million at end-2021 (2020: DKK 530 million) (see note 38). Interest relating to lease liabilities was DKK 5 million (2020: DKK 6 million).

The leases include, for example, income from sublet parking spaces, which came in at DKK 6 million.

Moreover, the Group has a number of minor non-capitalised leases. Discounted lease payments amounted to about DKK 3 million (2020: DKK 6 million).

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.

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **30. OTHER PROPERTY, PLANT AND EQUIPMENT** | | |
| **663** | **740** | **Cost, beginning of year** | **787** | **705** |
| 78 | 64 | Additions | 84 | 84 |
| (1) | (166) | Disposals | (169) | (2) |
| **740** | **637** | **Cost, year-end** | **701** | **787** |
| **518** | **562** | **Depreciation and impairment, beginning of year** | **599** | **550** |
| 45 | 47 | Depreciation for the year | 51 | 49 |
| - | - | Impairments | - | 1 |
| (1) | (166) | Reversal of depreciation and impairment | (166) | (1) |
| **562** | **442** | **Depreciation and impairment, year-end** | **484** | **599** |
| **178** | **195** | **Balance, year-end** | **217** | **188** |
| | | Other assets are depreciated over 4-15 years. | | |
| 4 | 4 | Residual depreciation period at 31 December (average number of years) | 4 | 4 |
| | | **31. ASSETS IN TEMPORARY POSSESSION** | | |
| 22 | 8 | Properties acquired by foreclosure for sale | 12 | 22 |
| **22** | **8** | **Total** | **12** | **22** |
| | | 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. | | |
| | | **32. OTHER ASSETS** | | |
| 4,357 | 4,262 | Interest and commission receivable | 1,702 | 2,054 |
| 14 | 8 | Receivables from Group enterprises | - | - |
| 685 | 671 | Positive market value of derivative financial instruments etc | 16,935 | 22,364 |
| 337 | 320 | Defined benefit plans | 320 | 337 |
| 398 | 464 | Other | 4,207 | 4,260 |
| **5,791** | **5,726** | **Total** | **23,165** | **29,014** |
| | | **32 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. | | |
| (404) | (362) | Present value of defined benefit plans | (362) | (404) |
| 741 | 683 | Fair value of plan assets | 683 | 741 |
| **337** | **321** | **Net assets, year-end** | **321** | **337** |
| 9 | 11 | Pension costs/income relating to defined benefit plans recognised in "Staff and administrative expenses" in the income statement | 11 | 9 |
| (15) | (27) | Pension costs/income relating to defined benefit plans recognised in "Actuarial gains/losses on defined benefit plans" in "Other comprehensive income" | (27) | (15) |

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **32 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.<br>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.<br>The leases, which are determined at portfolio level, have average lease terms of seven years. As to recognition and discounting, the same principles are applied as described in note 29c to which reference is made.<br>The related lease liabilities see note 38 "Other liabilities" nominally correspond to the size and terms of the assets. | | |
| **-** | **-** | **Cost, beginning of year** | **264** | **-** |
| - | - | Additions for the year | 6 | 307 |
| - | - | Disposals for the year | 42 | 42 |
| **-** | **-** | **Cost, year-end** | **228** | **264** |
| - | - | Impairments | - | - |
| | | **By remaining term** | | |
| - | - | Up to 3 months | 11 | 11 |
| - | - | Over 3 months and up to 1 year | 33 | 32 |
| - | - | Over 1 year and up to 5 years | 183 | 176 |
| - | - | Over 5 years | - | 45 |
| **-** | **-** | **Total, year-end** | **228** | **264** |
| - | - | Interest income: | 4 | 3 |
| - | - | Interest expenses: | 4 | 3 |
| - | - | Rent paid or collected | 46 | 46 |
| | | **Gross investments** | | |
| - | - | Up to 3 months | 12 | 11 |
| - | - | Over 3 months and up to 1 year | 35 | 34 |
| - | - | Over 1 year and up to 5 years | 189 | 183 |
| - | - | Over 5 years | - | 46 |
| **-** | **-** | **Total, year-end** | **236** | **275** |
| - | - | Non-earned income | 8 | 10 |

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **33. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS** | | |
| 388 | 408 | Payables to credit institutions | 6,563 | 7,524 |
| - | - | Payables to central banks | 3,882 | 3,901 |
| 1,071 | 2,471 | Repo transactions with credit institutions | 4,472 | 3,186 |
| **1,458** | **2,879** | **Total** | **14,917** | **14,611** |
| | | **Payables to credit institutions and central banks by time-to-maturity** | | |
| 388 | 408 | On demand | 8,141 | 10,867 |
| 1,071 | 2,471 | Up to 3 months | 6,410 | 3,688 |
| - | - | Over 3 months and up to 1 year | 366 | 57 |
| **1,458** | **2,879** | **Total** | **14,917** | **14,611** |
| | | **34. DEPOSITS AND OTHER PAYABLES** | | |
| - | - | On demand | 85,878 | 83,071 |
| - | - | Time deposits | 4,073 | 2,365 |
| - | - | Special deposits | 2,746 | 2,677 |
| 7,200 | - | Repo deposits | 7,379 | 9,874 |
| **7,200** | **-** | **Total** | **100,076** | **97,987** |
| | | **Deposits and other payables by time-to-maturity** | | |
| - | - | On demand | 22,229 | 80,710 |
| 6,200 | - | Up to 3 months | 57,286 | 13,954 |
| 1,000 | - | Over 3 months and up to 1 year | 1,675 | 1,086 |
| - | - | Over 1 year and up to 5 years | 5,300 | 628 |
| - | - | Over 5 years | 13,585 | 1,610 |
| **7,200** | **-** | **Total** | **100,076** | **97,987** |
| | | **35. BONDS IN ISSUE AT FAIR VALUE** | | |
| 142,992 | 129,048 | ROs | 132,808 | 147,786 |
| 1,309,199 | 1,341,138 | SDOs | 1,341,138 | 1,309,199 |
| 9,031 | 8,980 | Senior secured debt | 8,980 | 9,031 |
| **1,461,222** | **1,479,166** | **Total before set-off** | **1,482,926** | **1,466,015** |
| (52,550) | (60,139) | Offsetting of self-issued bonds | (120,000) | (99,306) |
| **1,408,672** | **1,419,027** | **Total** | **1,362,926** | **1,366,709** |

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 2021 or since the issue, as there are no measurable price differences between bonds with identical properties issued by different lenders.

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **35. BONDS IN ISSUE AT FAIR VALUE (CONTINUED)** | | |
| | | The yield spread between government bonds and ROs/SDOs tightened in 2021, causing an increase in the fair value of issued bonds of about DKK 21 billion (2020: an increase of about DKK 6 billion), which is attributable to Nykredit's own credit risk. Since 2007 spread tightening between government bonds and ROs/SDOs has resulted in a fair value increase of about DKK 16 billion (2020: an increase of about DKK 8 billion), which is attributable to Nykredit's own credit risk. | | |
| | | 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. | | |
| | | The determination allows for both maturity and nominal holding, but is to some extent based on estimates. | | |
| | | **35 a. ROs** | | |
| 133,792 | 121,424 | ROs at nominal value | 124,927 | 138,260 |
| 9,200 | 7,624 | Fair value adjustment | 7,881 | 9,525 |
| **142,992** | **129,048** | **ROs at fair value** | **132,808** | **147,786** |
| (18,518) | (23,823) | Self-issued ROs, see note 23 | (28,392) | (27,847) |
| **124,474** | **105,225** | **Total outstanding ROs at fair value** | **104,416** | **119,939** |
| 769 | 58 | Of which pre-issuance | 58 | 769 |
| 4,190 | 5,233 | ROs redeemed and maturing at next creditor payment date | 5,419 | 4,441 |
| | | **35 b. SDOs** | | |
| 1,282,909 | 1,351,177 | SDOs at nominal value | 1,351,177 | 1,282,909 |
| 26,290 | (10,039) | Fair value adjustment | (10,039) | 26,290 |
| **1,309,199** | **1,341,138** | **SDOs at fair value** | **1,341,138** | **1,309,199** |
| (26,028) | (28,315) | Self-issued SDOs, see note 23 | (83,606) | (63,456) |
| **1,283,171** | **1,312,823** | **Total outstanding SDOs at fair value** | **1,257,532** | **1,245,743** |
| 654 | 1,910 | Of which pre-issuance | 1,910 | 654 |
| 78,479 | 65,996 | SDOs redeemed and maturing at next creditor payment date | 65,996 | 78,479 |
| | | **35 c. Senior secured debt** | | |
| 8,856 | 8,855 | Senior secured debt at nominal value | 8,855 | 8,856 |
| 175 | 125 | Fair value adjustment | 125 | 175 |
| **9,031** | **8,980** | **Senior secured debt at fair value** | **8,980** | **9,031** |
| (8,004) | (8,002) | Self-issued senior secured debt, see note 23 | (8,002) | (8,004) |
| **1,027** | **978** | **Total outstanding senior secured debt at fair value** | **978** | **1,027** |
| - | - | Senior secured debt maturing at next creditor payment date | - | - |

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **35. BONDS IN ISSUE AT FAIR VALUE (CONTINUED)** | | |
| | | **Bonds in issue at fair value by time-to-maturity** | | |
| 75,460 | 62,155 | Up to 3 months | 48,453 | 59,597 |
| 163,548 | 154,460 | Over 3 months and up to 1 year | 151,157 | 159,032 |
| 559,660 | 543,132 | Over 1 year and up to 5 years | 509,317 | 546,275 |
| 610,004 | 659,279 | Over 5 years | 653,999 | 601,805 |
| **1,408,672** | **1,419,027** | **Total** | **1,362,926** | **1,366,709** |
| | | Bonds in issue by time-to-maturity are stated at fair value after set-off against self-issued bonds. | | |
| | | **36. BONDS IN ISSUE AT AMORTISED COST** | | |
| - | - | Corporate bonds | 4,415 | 5,574 |
| 10 | 8 | SDOs | 8 | 10 |
| 47,230 | 55,675 | Senior unsecured debt | 55,675 | 47,230 |
| 45 | 70 | Other securities | 70 | 45 |
| **47,285** | **55,752** | **Total** | **60,167** | **52,859** |
| - | - | Self-issued corporate bonds, see note 23 | - | (174) |
| (10) | (8) | Self-issued SDOs, see note 23 | (8) | (10) |
| (308) | (169) | Self-issued senior unsecured debt at amortised cost, see note 23 | (169) | (308) |
| **46,967** | **55,576** | **Total outstanding bonds in issue at amortised cost** | **59,991** | **52,368** |
| | | **Bonds in issue at amortised cost by time-to-maturity** | | |
| - | 7,056 | Up to 3 months | 11,471 | 3,127 |
| - | 6,523 | Over 3 months and up to 1 year | 6,523 | 2,274 |
| 30,146 | 36,419 | Over 1 year and up to 5 years | 36,419 | 30,146 |
| 16,821 | 5,577 | Over 5 years | 5,577 | 16,821 |
| **46,967** | **55,576** | **Total** | **59,991** | **52,368** |
| | | Bonds in issue by time-to-maturity are stated at amortised cost after set-off against self-issued bonds. | | |
| | | **36 a. Corporate bonds** | | |
| | | **Issues** | | |
| - | - | EMTN issues* | - | 689 |
| - | - | ECP issues* | 4,415 | 4,885 |
| **-** | **-** | **Total** | **4,415** | **5,574** |

* Listed on Nasdaq Copenhagen or the Luxembourg Stock Exchange.

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **37. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE** | | |
| 1,137 | 458 | Negative securities portfolios | 10,830 | 9,723 |
| **1,137** | **458** | **Total** | **10,830** | **9,723** |
| | | **Other non-derivative financial liabilities by time-to-maturity** | | |
| - | - | Up to 3 months | 86 | - |
| 6 | - | Over 3 months and up to 1 year | 19 | 1 |
| - | - | Over 1 year and up to 5 years | 1,407 | 1,502 |
| 1,130 | 458 | Over 5 years | 9,318 | 8,220 |
| **1,137** | **458** | **Total** | **10,830** | **9,723** |
| | | **38. OTHER LIABILITIES** | | |
| 6,235 | 6,116 | Interest and commission payable | 7,121 | 7,053 |
| 983 | 708 | Negative market value of derivative financial instruments etc | 8,781 | 12,024 |
| 1,652 | 1,233 | Other | 3,521 | 3,529 |
| **8,870** | **8,057** | **Total** | **19,424** | **22,606** |
| | | **The following lease payments (excluding finance leases) are recognised in "Other":** | | |
| 160 | 160 | Up to 1 year | 160 | 162 |
| 373 | 218 | Over 1 year and up to 5 years | 222 | 364 |
| 5 | - | Over 5 years | - | 5 |
| **539** | **378** | **Total** | **382** | **530** |

In addition, lease payments relating to finance leases were recognised in "Other" at DKK 228 million in 2021 (2020: DKK 264 million), see note 32b. Lease liabilities concern rent etc related to assets, see notes 29c and 32b.

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **39. CURRENT TAX ASSETS AND LIABILITIES** | | |
| | | **Current tax** | | |
| **141** | **67** | **Current tax, beginning of year** | **11** | **174** |
| - | - | Additions relating to acquisition of subsidiary | - | - |
| - | 1 | Transferred to/from tax liabilities | 1 | 0 |
| (369) | (742) | Current tax for the year recognised in profit for the year | (1,925) | (1,131) |
| - | - | Current tax for the year recognised in comprehensive income | - | - |
| - | - | Current tax for the year recognised in equity | - | - |
| (7) | (10) | Adjustment relating to previous years | (15) | (37) |
| 302 | 716 | Corporation tax paid for the year, net | 1,940 | 1,005 |
| **67** | **31** | **Current tax, year-end** | **13** | **11** |
| | | **Current tax recognised in the balance sheet:** | | |
| 67 | 31 | Current tax assets | 49 | 86 |
| - | - | Current tax liabilities | 36 | 74 |
| **67** | **31** | **Current tax, year-end** | **13** | **11** |
| | | **40. PROVISIONS FOR DEFERRED TAX/DEFERRED TAX ASSETS** | | |
| **(211)** | **(157)** | **Deferred tax, beginning of year** | **(252)** | **(274)** |
| - | - | Additions relating to acquisition of subsidiary | - | (36) |
| - | - | Disposals | - | - |
| 15 | 51 | Deferred tax for the year recognised in profit for the year | 61 | (5) |
| - | - | Deferred tax for the year recognised in other comprehensive income | - | - |
| 7 | 6 | Deferred tax for the year recognised in equity | 6 | 7 |
| 32 | 11 | Adjustment of deferred tax relating to previous years | 15 | 55 |
| **(157)** | **(88)** | **Deferred tax, year-end** | **(170)** | **(252)** |
| | | **Deferred tax recognised in the balance sheet** | | |
| 26 | (0) | Deferred tax assets | 130 | 143 |
| 183 | 89 | Provisions for deferred tax | 301 | 395 |
| **(157)** | **(89)** | **Deferred tax, year-end, net** | **(171)** | **(252)** |
| | | **Deferred tax relates to:** | | |
| 29 | 4 | Loans and advances | (188) | (143) |
| 0 | - | Equities | - | 1 |
| (78) | (59) | Intangible assets | (95) | (109) |
| 8 | 7 | Property, plant and equipment, including buildings | 13 | 4 |
| (107) | (47) | Other assets and prepayments | 20 | (62) |
| (0) | (60) | Bonds in issue | (60) | (2) |
| - | - | Other liabilities | 72 | 67 |
| 66 | 1 | Provisions | 2 | 67 |
| (76) | 66 | Subordinated debt | 66 | (76) |
| **(157)** | **(89)** | **Total** | **(171)** | **(252)** |
| | | **Deferred tax not recognised in the balance sheet** | | |
| 83 | 154 | Deferred tax relating to land, buildings and provisions | 155 | 84 |
| **83** | **154** | **Total** | **155** | **84** |
| | | The asset has not been recognised, as it is not likely to crystallise in the near future | | |

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **41. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS** | | |
| **61** | **46** | **Balance beginning of year** | **47** | **62** |
| (139) | 58 | Utilised for the year | 58 | (139) |
| 143 | (533) | Provisions for the year | (533) | 142 |
| (19) | 457 | Reversal of unutilised amounts | 457 | (19) |
| **46** | **28** | **Balance, year-end** | **29** | **47** |
| | | **42. REPAYABLE RESERVES IN PRE-1972 SERIES** | | |
| **34** | **32** | **Balance, beginning of year** | **32** | **34** |
| (3) | (3) | Utilised for the year | (3) | (3) |
| 0 | (1) | Adjustment for the year as a result of changes to the discount rate and discount period | (1) | 0 |
| **32** | **28** | **Balance, year-end** | **28** | **32** |

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.

| | | | | |
|---|---|---|---|---|
| | | **43. PROVISIONS FOR LOSSES UNDER GUARANTEES** | | |
| **-** | **-** | **Balance, beginning of year** | **241** | **137** |
| - | - | Provisions for the year | 227 | 174 |
| - | - | Reversal of unutilised amounts | (137) | (70) |
| **-** | **-** | **Balance, year-end** | **331** | **241** |
| | | **44. OTHER PROVISIONS** | | |
| **357** | **56** | **Balance, beginning of year** | **293** | **515** |
| (2) | (2) | Utilised for the year | (132) | (15) |
| (299) | 35 | Provisions for the year | 88 | (206) |
| - | (4) | Other provisions | (4) | - |
| **56** | **85** | **Balance, year-end** | **245** | **293** |

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **45. 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** | | |
| 4,486 | - | Nominally EUR 600 million. The loan matures on 3 June 2036, but may be redeemed at par (100) from 3 June 2021. The loan carries a fixed interest rate of 4.0% pa up to 3 June 2021, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 capital ratio of Nykredit Realkredit, the Nykredit Realkredit Group or the Nykredit Group falls below 7%, the loan will be written down | - | 4,486 |
| 6,037 | 5,987 | 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 | 6,037 |
| 372 | 372 | 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 |
| - | 725 | 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 | - |
| - | 3,653 | Nominally EUR 500 million. The loan matures on 28 July 2031, but may be redeemed at par (100) from 28 April 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 | - |
| **10,896** | **10,737** | **Total subordinate loan capital** | **10,737** | **10,896** |
| - | - | Portfolio of self-issued bonds | - | (3) |
| **10,896** | **10,737** | **Total subordinated debt** | **10,737** | **10,893** |
| 10,787 | 10,766 | Subordinated debt that may be included in own funds | 10,777 | 10,793 |
| - | 13 | Costs related to raising and redeeming subordinated debt | 13 | - |
| - | - | Extraordinary principal payments and redemption of subordinated debt in the financial period | - | - |
| | | **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: | | |
| 25 | - | Market value of interest rate swaps of EUR 600 million (nominal) | - | 25 |
| 94 | 41 | Market value of interest rate swaps of EUR 800 million (nominal) | 41 | 94 |
| - | 0 | Market value of interest rate swaps of SEK 1.000 million (nominal) | - | - |
| - | (53) | Market value of interest rate swaps of EUR 500 million (nominal) | (53) | - |
| 400 | 405 | Market value of subordinate loan capital of EUR 50 million (nominal) | 405 | 400 |
| 4,526 | - | Market value of subordinate loan capital of EUR 600 million (nominal) | - | 4,526 |
| 6,213 | 6,089 | Market value of subordinate loan capital of EUR 800 million (nominal) | 6,089 | 6,213 |
| - | 728 | Market value of subordinate loan capital of SEK 1.000 million (nominal) | 728 | - |
| - | 3,686 | Market value of subordinate loan capital of EUR 500 million (nominal) | 3,686 | - |
| **11,258** | **10,895** | **Total** | **10,895** | **11,258** |

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **46. OFF-BALANCE SHEET ITEMS** | | |
| | | Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below. | | |
| 34 | - | Contingent liabilities | 8,987 | 9,121 |
| 9,514 | 8,615 | Other commitments | 23,087 | 20,762 |
| **9,548** | **8,615** | **Total** | **32,074** | **29,883** |
| | | **46 a. Contingent liabilities** | | |
| - | - | Financial guarantees | 57 | 245 |
| - | - | Registration and refinancing guarantees | 27 | 36 |
| 34 | - | Other contingent liabilities | 8,903 | 8,840 |
| **34** | **-** | **Total** | **8,987** | **9,121** |
| | | "Other contingent liabilities" chiefly comprises purchase price and payment guarantees. | | |
| | | **Contingent liabilities by remaining terms** | | |
| 17 | - | Up to 1 year | 5,408 | 5,520 |
| 17 | - | Over 1 year and up to 5 years | 2,319 | 1,524 |
| - | - | Over 5 years | 1,260 | 2,077 |
| **34** | **-** | **Total** | **8,987** | **9,121** |
| | | 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. | | |
| | | **46 b. Other commitments** | | |
| 8,901 | 8,007 | Irrevocable credit commitments | 22,232 | 19,957 |
| 613 | 608 | Other | 855 | 805 |
| **9,514** | **8,615** | **Total** | **23,087** | **20,762** |

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

## 46. 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).

## 47. 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 2021.

The companies have entered into various intercompany agreements as a natural part of the Group's day-to-day operations. The agreements typically involve financing, provision of guarantees, 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 2021 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 0.8 billion as at 31 December 2021. 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 8.0 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.

Nykredit Realkredit has granted loans of DKK 8.0 billion to Nykredit Bank A/S in the form of Tier 2 capital. In December 2021, Nykredit Realkredit A/S contributed additional equity of DKK 2 billion to Nykredit Bank A/S.

### Agreements between Forenet Kredit and Group companies

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

DKK million

## 47. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

| | Transactions with subsidiaries | | Transactions with associates | | Transactions with the Executive Board | | Transactions with the Board of Directors | | Transactions with the Executive Board | | Related parties of the Executive Board or Board of Directors | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Nykredit Realkredit Group** | | | | | | | | | | | | |
| **Income statement** | | | | | | | | | | | | |
| Interest income | - | - | 0 | 0 | (0) | (0) | 0 | - | 0 | - | - | - |
| Interest expenses | - | - | 5 | 6 | - | - | - | - | - | - | 0 | - |
| Other operating income | - | - | 1,075 | 1,025 | - | - | - | - | - | - | - | - |
| Staff and administrative expenses | - | - | - | - | - | - | - | - | - | - | - | - |
| **Balance sheet items** | | | | | | | | | | | | |
| Loans, advances and other receivables at fair value | - | - | - | - | - | - | 39 | 15 | 24 | 24 | 15 | 1 |
| Loans, advances and other receivables at amortised cost | - | - | - | 6 | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | 3 | - | - | - | - | - | - | - | - |
| Deposits and other payables | - | - | 43 | 38 | 6 | 1 | 9 | 14 | 14 | 11 | 2 | 2 |
| Bonds in issue at fair value | - | - | 1,212 | 198 | - | - | - | - | - | - | - | - |
| **Nykredit Realkredit A/S** | | | | | | | | | | | | |
| **Income statement** | | | | | | | | | | | | |
| Interest income | 8,616 | 8,375 | - | 6 | - | - | - | - | - | - | - | - |
| Interest expenses | 75 | 89 | 5 | - | - | - | - | - | - | - | - | - |
| Fee and commission income | 638 | 452 | - | - | - | - | - | - | - | - | - | - |
| Fee and commission expenses | 265 | 164 | - | - | - | - | - | - | - | - | - | - |
| Value adjustments | (28,941) | 5,137 | - | - | - | - | - | - | - | - | - | - |
| Other operating income | 121 | 90 | 225 | 225 | - | - | - | - | - | - | - | - |
| Staff and administrative expenses | (1,361) | (1,223) | (5) | (4) | - | - | - | - | - | - | - | - |
| **Balance sheet items** | | | | | | | | | | | | |
| Receivables from credit institutions and central banks | 39,838 | 34,624 | - | - | - | - | - | - | - | - | - | - |
| Loans, advances and other receivables at fair value | 790 | 929 | - | - | - | - | - | - | - | - | - | - |
| Totalkredit mortgage loan funding | 902,631 | 876,618 | - | - | - | - | - | - | - | - | - | - |
| Loans, advances and other receivables at amortised cost | 8 | 10 | - | - | - | - | - | - | - | - | - | - |
| Bonds at fair value | 163 | 1,547 | - | - | - | - | - | - | - | - | - | - |
| Other assets | 3,805 | 3,668 | 7 | 14 | - | - | - | - | - | - | - | - |
| Payables to credit institutions and central banks | 40 | 59 | - | - | - | - | - | - | - | - | - | - |
| Bonds in issue at fair value | 61,742 | 47,249 | 1,212 | 198 | - | - | - | - | - | - | - | - |
| Other liabilities | 552 | 750 | - | - | - | - | - | - | - | - | - | - |

The facilities of related parties were granted on standard business terms. Rates applying to ordinary loans range between 2.0% and 12.5% (2020: between 2.00% and 12.5%), and deposit rates were around 0% to 1.26% (2020: 0.00% to 1.1%).

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.

## 48. FAIR VALUE DISCLOSURES

### Valuation principles

Financial instruments are measured at fair value or amortised cost in the balance sheet. The tables in notes 48 a. and 48 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 48 a shows the fair value of the financial instruments measured at amortised cost and the instances where the fair value does not correspond to the carrying amount.

### Listed prices

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

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

### Observable inputs

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

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

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

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

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

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

Net value adjustment due to CVA, DVA and FVA amounted to DKK 385 million at 31 December 2020 (2020: DKK 496 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 2021, the non-amortised minimum margin amounted to DKK 119 million (2020: DKK 119 million). With regard to liquidity and credit risk, DKK 160 million for end-2021 and DKK 161 million for 2020 have been included above in the net adjustment of FVA and CVA. Finally, in some instances further value adjustment based on management judgement is made if the models are not deemed to take into account all known risks, including eg legal risks.

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

**Unobservable inputs**

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

The positive market values of a number of interest rate swaps with customers in the lowest rating categories have been adjusted for increased credit risk based on additional CVA. The adjustment uses for instance the statistical data applied by 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 1,396 million at 31 December 2021 (2020: DKK 2,065 million). Credit value adjustments came to DKK 1,345 million at 31 December 2021 (2020: DKK 1,843 million).

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

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 31 December 2021, the proportion was thus 0.3% compared with 0.3% at end-2020. The proportion of financial liabilities was 0.0% against 0.0% at end-2020.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 5.2 billion (2020: DKK 5.3 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 519 million at 31 December 2021 (0.55% of equity at 31 December 2021). The earnings impact for 2020 was estimated at DKK 532 million (0.59% of equity at 31 December 2020).

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

**Transfers between categories**

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

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

Transfers between the categories Listed prices and Observable inputs mainly result from bonds that are reclassified either due to traded volume or the number of days between last transaction and the time of determination. In 2021 financial assets of DKK 7.5 billion were transferred from Listed prices to Observable inputs and DKK 5.3 billion from Observable inputs to Listed prices. Financial liabilities of DKK 1.1 billion were transferred from Listed prices to Observable inputs and DKK 0.0 billion from Observable inputs to Listed prices.

Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets. At 31 December 2021, the amount was DKK 0.5 billion against DKK 1.2 billion at end-2020.

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

DKK million

Nykredit Realkredit Group

## 48. FAIR VALUE DISCLOSURES (CONTINUED)

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

| | | | | Fair value calculated on the basis of | | |
|---|---|---|---|---|---|---|
| **2021** | Carrying amount | Fair value | Balance | Listed prices | Observable inputs | Unobserva-ble inputs |
| **Assets** | | | | | | |
| Loans, advances and other receivables at amortised cost | 125,796 | 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** | | | |
| **2020** | | | | | | |
| **Assets** | | | | | | |
| Loans, advances and other receivables at amortised cost | 108,768 | 108,944 | 176 | - | 10 | 108,934 |
| **Total** | **108,768** | **108,944** | **176** | **-** | **10** | **108,934** |
| **Liabilities** | | | | | | |
| Bonds in issue at amortised cost | 52,368 | 53,098 | (730) | - | 53,053 | 45 |
| Subordinated debt | 10,893 | 11,229 | (337) | - | 11,229 | - |
| **Total** | **63,260** | **64,327** | **(1,067)** | **-** | **64,282** | **45** |
| Transfer from assets | | | 176 | | | |
| **Total balance** | | | **(891)** | | | |

DKK million

Nykredit Realkredit Group

## 48. FAIR VALUE DISCLOSURES (CONTINUED)

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

**31 December 2021**

| **Financial assets:** | Listed prices | Observable inputs | Unobserva-ble inputs | Total fair value |
|---|---|---|---|---|
| - 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 | 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.

DKK million

Nykredit Realkredit Group

## 48. FAIR VALUE DISCLOSURES (CONTINUED)

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

**31 December 2020**

| **Financial assets:** | Listed prices | Observable inputs | Unobserva-ble inputs | Total fair value |
|---|---|---|---|---|
| - bonds at fair value | 21,810 | 84,284 | - | 106,094 |
| - equities etc | 3,847 | - | 3,199 | 7,046 |
| - positive fair value of derivative financial instruments | 35 | 20,264 | 2,064 | 22,364 |
| - mortgage loans, arrears and outlays[1] | - | 1,350,925 | - | 1,350,925 |
| - owner-occupied properties | - | - | 58 | 58 |
| **Total** | **25,692** | **1,455,473** | **5,321** | **1,486,486** |
| **Percentage** | **1.7** | **97.9** | **0.4** | **100** |
| | | | | |
| **Financial liabilities:** | | | | |
| - other non-derivative financial liabilities at fair value | 3,115 | 6,607 | - | 9,723 |
| - negative fair value of derivative financial instruments | 36 | 11,988 | - | 12,024 |
| - bonds in issue at fair value | 1,366,699 | 10 | - | 1,366,709 |
| **Total** | **1,369,850** | **18,605** | **-** | **1,388,455** |
| **Percentage** | **98.7** | **1.3** | **-** | **100** |

| **Assets measured on the basis of unobservable inputs** | Real estate | Bonds | Equities | Derivatives | Total |
|---|---|---|---|---|---|
| **Fair value, beginning of year, assets** | **75** | **2** | **3,014** | **1,033** | **4,124** |
| Value adjustment recognised through profit or loss | 4 | - | 252 | (385) | (129) |
| Purchases for the year | 0 | - | 147 | - | 147 |
| Sales for the year | (22) | (2) | (215) | (117) | (355) |
| Transferred from Listed prices and Observable inputs[2] | - | - | 1 | 373 | 375 |
| Transferred to Listed prices and Observable inputs[3] | - | - | - | (868) | (868) |
| Reclassification[4] | - | - | - | 2,028 | 2,028 |
| **Fair value, year-end, assets** | **58** | **-** | **3,199** | **2,064** | **5,321** |

[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.
[4] An adjustment has been made of the classification between unobservable input and observable input as at 31 December 2020. The change will not impact "Total fair value".

DKK million

Nykredit Realkredit Group

## 49. OFFSETTING

| 2021 | Gross amounts | Financial instruments offset | Carrying amount after offsetting | Further offsetting, master netting agreements | Collateral | Net amounts |
|---|---|---|---|---|---|---|
| **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** |
| | | | | | | |
| **2020** | | | | | | |
| **Financial assets:** | | | | | | |
| Derivatives with a positive fair value | 40,197 | 17,833 | 22,364 | 8,873 | 2,840 | 10,651 |
| Reverse repo transactions | 42,747 | 3,093 | 39,654 | - | 39,621 | 33 |
| **Total** | **82,944** | **20,926** | **62,018** | **8,873** | **42,461** | **10,684** |
| | | | | | | |
| **Financial liabilities:** | | | | | | |
| Derivatives with a negative fair value | 29,857 | 17,833 | 12,024 | 8,873 | 2,708 | 443 |
| Repo transactions | 16,153 | 3,093 | 13,060 | - | 13,048 | 12 |
| **Total** | **46,009** | **20,926** | **25,084** | **8,873** | **15,756** | **455** |

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.

DKK million

Nykredit Realkredit Group

## 50. DERIVATIVE FINANCIAL INSTRUMENTS

| By time-to-maturity | Net market value | | | | Gross market value | | | |
|---|---|---|---|---|---|---|---|---|
| **2021** | Up to 3 months | Over 3 months and up to 1 year | Over 1 year and up to 5 years | Over 5 years | Positive market value | Negative market value | Net market value | Nominal value |
| **Foreign exchange contracts** | | | | | | | | |
| Forward contracts/futures, purchased | 209 | 26 | 1 | - | 420 | 184 | 236 | 59,993 |
| Forward contracts/futures, sold | (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 |
| Forward rate agreements, purchased | - | - | - | - | - | - | - | - |
| Forward rate agreements, sold | - | - | - | - | - | - | - | - |
| 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** | |

DKK million

Nykredit Realkredit Group

**50. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

| By time-to-maturity | Net market value | | | | Gross market value | | | |
|---|---|---|---|---|---|---|---|---|
| **2020** | Up to 3 months | Over 3 months and up to 1 year | Over 1 year and up to 5 years | Over 5 years | Positive market value | Negative market value | Net market value | Nominal value |
| **Foreign exchange contracts** | | | | | | | | |
| Forward contracts/futures, purchased | (821) | (106) | (8) | - | 144 | 1,079 | (936) | 56,817 |
| Forward contracts/futures, sold | 750 | 106 | 8 | - | 991 | 126 | 864 | 54,419 |
| Swaps | - | 61 | 9 | 27 | 160 | 63 | 98 | 5,479 |
| Options, purchased | 2 | 2 | 0 | - | 5 | - | 5 | 183 |
| Options, written | (3) | (2) | (0) | - | 0 | 5 | (5) | 184 |
| **Interest rate contracts** | | | | | | | | |
| Forward contracts/futures, purchased | 32 | 2 | - | - | 40 | 7 | 34 | 13,917 |
| Forward contracts/futures, sold | (20) | (0) | - | - | 9 | 29 | (20) | 59,373 |
| Forward rate agreements, purchased | (0) | 0 | - | - | 0 | 0 | (0) | 10,551 |
| Forward rate agreements, sold | 0 | (0) | - | - | 0 | 0 | 0 | 10,836 |
| Swaps | (26) | 123 | 113 | 10,367 | 20,881 | 10,628 | 10,254 | 819,579 |
| Options, purchased | 6 | 0 | 3 | 67 | 104 | 28 | 76 | 27,095 |
| Options, written | - | (29) | (0) | (16) | - | 45 | (45) | 13,688 |
| **Equity contracts** | | | | | | | | |
| Forward contracts/futures, purchased | 0 | - | - | - | 0 | 0 | 0 | 9 |
| Forward contracts/futures, sold | 11 | - | - | - | 12 | 1 | 11 | 32 |
| **Unsettled spot transactions** | 5 | - | - | - | 17 | 11 | 5 | 28,241 |
| **Total** | **(62)** | **156** | **125** | **10,445** | **22,363** | **12,024** | **10,339** | |

DKK million

| Nykredit Realkredit A/S 2020 | 2021 | | Nykredit Realkredit Group 2021 | 2020 |
|---|---|---|---|---|
| | | **51. 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:** | | |
| 6,653 | 468 | Receivables from credit institutions and central banks | 1,370 | 2,383 |
| (6,651) | (462) | Bonds received as collateral but not offset against the balance | (1,366) | (2,380) |
| **2** | **6** | **Total less collateral** | **4** | **3** |
| - | - | Loans, advances and other receivables, gross | 54,084 | 40,364 |
| - | - | Netting | (3,184) | (3,093) |
| **-** | **-** | **Loans, advances and other receivables etc, net** | **50,900** | **37,271** |
| - | - | Bonds received as collateral but not offset against the balance[1] | (50,735) | (37,241) |
| **-** | **-** | **Total less collateral** | **165** | **30** |
| 1,135 | 462 | [1] Of which self-issued bonds | 22,061 | 16,791 |
| | | **Of the liability items below, repo transactions represent:** | | |
| 1,071 | 2,471 | Payables to credit institutions and central banks | 4,472 | 3,186 |
| 1,069 | 2,469 | Bonds provided as collateral | 4,461 | 3,182 |
| 7,200 | - | Deposits and other payables, gross | 10,573 | 12,967 |
| - | - | Netting | (3,194) | (3,093) |
| **7,200** | **-** | **Other non-derivative financial liabilities etc, net** | **7,379** | **9,874** |
| 7,200 | - | Bonds provided as collateral[1] | 7,316 | 9,866 |
| **-** | **-** | **Total less collateral** | **63** | **8** |
| 2,797 | - | [1] Of which self-issued bonds | 5,821 | 5,189 |

## 52. 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 45 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.

### 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.

### Elements of credit risk determination

| | |
|---|---|
| PD | Probability of Default (PD) is the probability of a customer defaulting o 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 cred 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 bee 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). |

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

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

### Exposure at Default (EAD)

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

### Model validation and reliability

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

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

Nykredit Realkredit Group

**Credit exposure**

The Nykredit Realkredit Group's maximum credit exposure constitutes DKK 1,692 billion. The credit exposure primarily arises from mortgage loans (loans, advances and other receivables at fair value), which amount to DKK 1,383 billion.

**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 1.1% and 1.5%, respectively, of exposures.

Weak exposures are exposures where customers:

- have not made timely payments
- have a negative net worth or negative equity
- have low or negative earnings
- have objective evidence of credit impairment.

Mortgage loans were primarily granted for the financing of private residential housing, comprising 64.0% of total lending. The portfolio of business loans mainly comprises loans to the private residential rental (32.5% of the total portfolio of business loans), office and retail (26.1%), and agricultural sectors (17.3%). Bank lending mainly comprises loans to business customers, which account for 91.5% of total lending, and loans to personal customers, accounting for 8.5%.

**Large exposures**

Nykredit's internal limit to single exposures to a non-financial counterparty is 10% of its Tier 1 capital at company level. Any overrides are subject to approval by the relevant Board of Directors. At end-2021, two exposures exceeded the limit following approval by the relevant Board of Directors; Nykredit Realkredit A/S's largest exposure to a non-financial counterparty amounted to DKK 10.1 billion at end-2021, equivalent to 11% of Tier 1 capital. Nykredit Bank A/S's largest exposure to a non-financial counterparty amounted to DKK 3.3 billion at end-2021, equivalent to 12% of Tier 1 capital.

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 Nykredit Realkredit A/S, 100% in Totalkredit A/S and 150% in Nykredit Bank A/S. None of the companies exceeded their limit at end-2021. Nykredit Bank A/S came closest to the limit with a total exposure of 110% of its Common Equity Tier 1 capital (determined according to the CRR).

DKK million

| Nykredit Realkredit Group | 2021 | 2020 |
|---|---|---|
| **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 | 39,454 | 15,614 |
| Receivables from credit institutions and central banks | 5,165 | 43,215 |
| Loans, advances and other receivables at fair value | 1,382,803 | 1,350,925 |
| Loans, advances and other receivables at amortised cost | 125,796 | 108,768 |
| Bonds at fair value | 84,589 | 106,094 |
| Other assets | 23,240 | 29,233 |
| **Off-balance sheet items** | | |
| Contingent liabilities | 8,987 | 9,121 |
| Irrevocable credit commitments | 22,232 | 19,957 |
| **Total** | **1,692,265** | **1,682,926** |

DKK million

Nykredit Realkredit Group

## 52. 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.

**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** |

**2020**

| Rating category | Owner-occupied dwellings | Private rental | Industry and trades | Office and retail | Agricultural property | Public housing | Other | Total |
|---|---|---|---|---|---|---|---|---|
| 10 | 274,439 | 16,710 | 11,950 | 13,195 | 3,098 | 9,996 | 403 | 329,791 |
| 9 | 230,920 | 17,515 | 3,100 | 27,484 | 9,160 | 6,127 | 1,536 | 295,842 |
| 8 | 131,530 | 30,245 | 3,498 | 32,773 | 15,533 | 37,629 | 9,403 | 260,611 |
| 7 | 81,094 | 33,209 | 2,805 | 22,401 | 14,853 | 18,370 | 4,153 | 176,885 |
| 6 | 50,825 | 24,480 | 693 | 9,866 | 11,430 | 1,990 | 1,116 | 100,398 |
| 5 | 24,391 | 10,919 | 508 | 7,548 | 9,426 | 374 | 666 | 53,832 |
| 4 | 14,536 | 7,608 | 340 | 3,013 | 4,470 | 569 | 3,174 | 33,711 |
| 3 | 7,626 | 5,609 | 265 | 4,425 | 10,329 | 158 | 94 | 28,506 |
| 2 | 6,683 | 993 | 200 | 838 | 1,768 | 22 | 13 | 10,518 |
| 1 | 4,262 | 648 | 74 | 340 | 951 | 18 | 695 | 6,988 |
| 0 | 1,043 | 324 | 49 | 642 | 1,167 | 259 | 64 | 3,547 |
| Exposures in default | 8,536 | 2,850 | 183 | 2,554 | 5,749 | 119 | 836 | 20,828 |
| **Total** | **835,886** | **151,109** | **23,665** | **125,079** | **87,934** | **75,632** | **22,153** | **1,321,458** |

DKK million

Nykredit Realkredit Group

**52. 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.

**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** |

**2020**

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

**Risk exposure amount for credit risk**

Nykredit's total REA for credit risk excluding counterparty risk was DKK 329 billion at end-2021 (2020: DKK 315 billion) and has risen compared with 2020. The rise is chiefly attributable to increased lending.

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

**Nykredit Realkredit Group**
**Risk exposure amount – credit risk**

| DKK million | 2021 | 2020 |
|---|---|---|
| Standardised approach | 15,573 | 21,788 |
| IRB approach | 245,118 | 260,490 |
| Equities | 10,676 | 9,083 |
| Other[1] | 57,989 | 24,217 |
| **Total credit risk exposure** | **329,356** | **315,007** |

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

**Security**

Nykredit's main type of security provided for loans is mortgages on real estate. The security value is reassessed regularly relative to market trends.

In addition to mortgages on real estate, Nykredit accepts guarantees issued by public authorities or banks as security for loans. Guarantees issued by public authorities mitigate credit risk, mainly relating to mortgage lending for public housing.

The bank guarantees comprise guarantees for the registration of mortgages free from any adverse endorsements barring registration, guarantees for interim loans in connection with new building and loss guarantees.

Totalkredit and the partner banks share the risk on loans arranged via the individual partner banks, which provide security by way of a right of set-off and guarantees to Totalkredit. This security provides an incentive for the partner banks to carry out a thorough and comprehensive assessment of customer creditworthiness and the property value. Nykredit has the approval of the Danish FSA to apply a statistical model in the valuation of certain owner-occupied dwellings with no physical inspection.

| **Statutory LTV limits for mortgage lending by property category** | |
|---|---|
| Owner-occupied dwellings for all-year habitation | 80[1] |
| Private cooperative housing | 80[1] |
| Private residential rental properties | 80[1] |
| Public housing | 80[1] |
| Youth housing | 80[1] |
| Senior housing | 80[1] |
| Properties used for social, cultural or educational purposes | 60[1] |
| Holiday homes | 75[1] |
| Agricultural and forestry properties, market gardens, etc[2] | 60[1] |
| Office and retail properties | 60[1] |
| Industry and trades properties | 60[1] |
| Utilities | 60[1] |
| Other properties – including undeveloped land | 40[1] |

[1] Some loan types offered for residential properties are subject to a lower LTV limit than 80%, but no additional security is required unless the LTV ratio subsequently exceeds 80%.
[2] The LTV limit may be extended up to 70% against additional security for the part in excess of 60%.

DKK million

| | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| Bank lending | Public sector | Personal customers | Business customers | Total | Public sector | Personal customers | Business customers | Total |
| Unsecured lending | 440 | 2,589 | 37,599 | 40,628 | 589 | 3,684 | 41,840 | 46,112 |
| Lending secured by way of legal charge or other collateral security: | | | | | | | | |
| Fully secured | 447 | 3,404 | 55,980 | 59,830 | 261 | 2,805 | 42,114 | 45,180 |
| Partially secured | 228 | 4,893 | 19,834 | 24,955 | 20 | 4,106 | 16,010 | 20,137 |
| **Total lending before impairment** | **1,115** | **10,885** | **113,413** | **125,413** | **870** | **10,595** | **99,964** | **111,429** |

**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-2021, the LTV level of the Group's total loan portfolio was 55.8% (2020: DKK 61.3%), down 5.5 percentage points on end-2020. The tables "Debt outstanding relative to estimated property values" show the LTVs of Nykredit's mortgage lending by property type.

**Nykredit Realkredit Group**

**Debt outstanding relative to estimated property values**

| | LTV (loan-to-value) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| DKK million | 0-40 | 40-60 | 60-80 | 80-90 | 90-100 | >100 | Total | LTV average, % |
| Owner-occupied dwellings | 611,787 | 202,473 | 70,442 | 1,642 | 518 | 557 | 887,420 | 60 |
| Private rental[1] | 112,946 | 33,159 | 10,854 | 573 | 241 | 218 | 157,990 | 57 |
| Industry and trades | 18,798 | 2,986 | 156 | 8 | 3 | 4 | 21,955 | 44 |
| Office and retail | 101,378 | 22,322 | 1,539 | 265 | 179 | 145 | 125,829 | 49 |
| Agricultural property | 59,148 | 20,074 | 5,454 | 331 | 124 | 144 | 85,276 | 60 |
| Public housing | - | - | - | - | - | - | 85,248 | - |
| Other | 14,640 | 3,084 | 805 | 105 | 79 | 122 | 18,835 | 51 |
| **Total 2021[1]** | **918,697** | **284,098** | **89,249** | **2,924** | **1,145** | **1,190** | **1,382,551** | **56** |
| **Total 2020[1]** | **828,097** | **286,246** | **131,100** | **8,093** | **1,983** | **1,909** | **1,329,870** | **61** |

[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 | 68.9 | 22.8 | 7.9 | 0.2 | 0.1 | 0.1 |
| Private rental[1] | 71.5 | 21.0 | 6.9 | 0.4 | 0.2 | 0.1 |
| Industry and trades | 85.6 | 13.6 | 0.7 | 0.0 | 0.0 | 0.0 |
| Office and retail | 80.6 | 17.7 | 1.2 | 0.2 | 0.1 | 0.1 |
| Agricultural property | 69.4 | 23.5 | 6.4 | 0.4 | 0.1 | 0.2 |
| Public housing | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 77.7 | 16.4 | 4.3 | 0.6 | 0.4 | 0.6 |
| **Total 2021[1]** | **70.8** | **21.9** | **6.9** | **0.2** | **0.1** | **0.1** |
| **Total 2020[1]** | **65.9** | **22.8** | **10.4** | **0.6** | **0.2** | **0.2** |

[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%.

### 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 21.0 billion at end-2021. The main part of REA is related to derivatives and repo transactions, while a minor part is related to credit valuation adjustment (CVA) and CCP exposures.

### Value adjustment of derivatives

Nykredit makes fair value adjustments of derivatives 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.

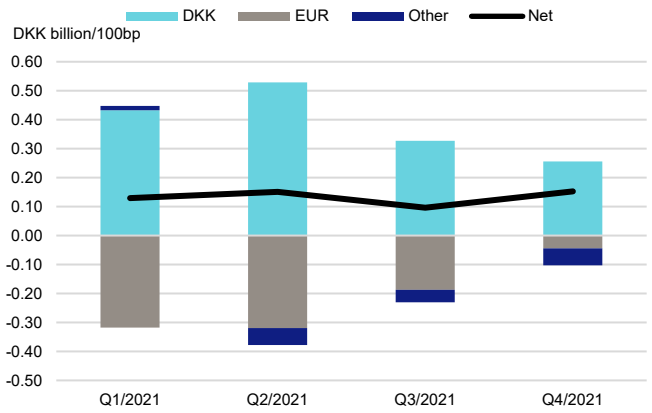
Market risk is generally managed based on the Board of Directors' market risk policy and the accompanying guidelines, which include specific limits to the different types of risk in the trading as well as the banking book.

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.

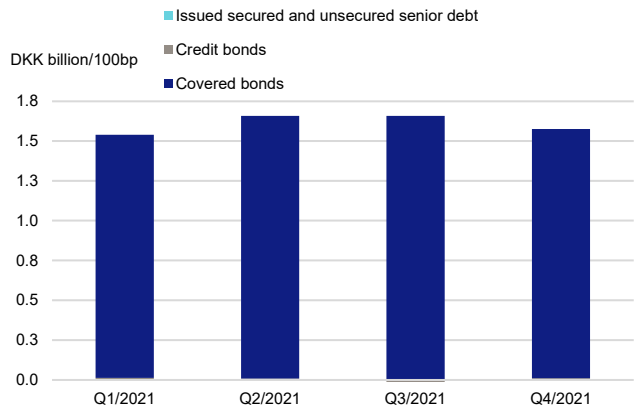
In addition to the market risk policy, Nykredit's Board of Directors has laid down guidelines for market risk in the trading and banking books, respectively, which are used in day-to-day market risk management. In accordance with these guidelines, the Executive Board delegates specific limits for the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

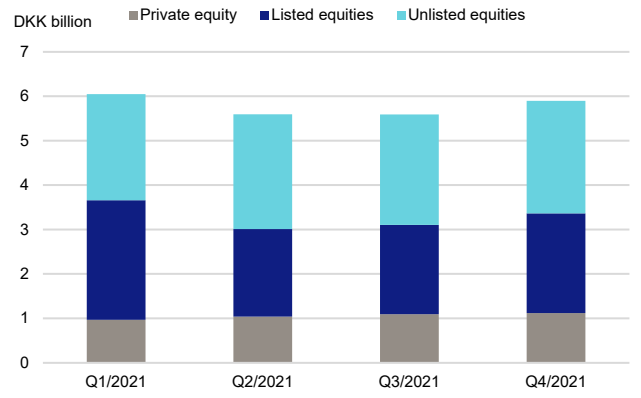
**Nykredit Realkredit Group**
**Interest rate risk, trading book**




**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 337 million at end-2021, of which DKK 153 million in the trading book and DKK 184 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-2021 the yield spread risk on the Group's total portfolio of covered bonds was DKK 2.8 billion. Of this amount, the yield spread risk was DKK 1.6 billion in the trading book and DKK 1.2 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 6.2 billion at end-2021.

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 0.3 billion in the trading book and DKK 5.9 billion in the banking book.

**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 2021.

Nykredit's volatility risk mainly relates to investments in, for example, callable covered bonds with embedded call options, as these bonds may be prepaid. Yield expectations will affect the market value 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 15.6 billion at end-2021, of which stressed VaR amounted to DKK 11.8 billion. Total REA for market risk came to DKK 24.1 billion at end-2021.

**Nykredit Realkredit Group**
**Risk exposure amount – market risk**

| DKK million | 2021 | 2020 |
|---|---|---|
| Internal models (VaR) | 15,578 | 30,215 |
| Standardised approach | 8,497 | 9,913 |
| **Total market risk exposure** | **24,075** | **40,128** |

### 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-2021, Nykredit's LCR was 591% and the excess liquidity coverage was DKK 95.3 billion. The aggregate LCR of Nykredit's mortgage banks was 2,305%, while Nykredit Bank's LCR was 213%.

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. The condition for the permission is that Nykredit must comply with a minimum LCR requirement. This means that the stock of liquid assets must make up at least 2.5% of Nykredit Realkredit's and Totalkredit's total mortgage lending. At end-2021, liquid assets eligible for meeting the minimum requirement amounted to 3.5%, or DKK 47.9 billion.

The Danish FSA has introduced an additional liquidity requirement concerning foreign currencies. Under this requirement, Danish SIFIs must meet an LCR-like requirement in respect of selected significant currencies except for SEK and NOK. This is in addition to the regulatory LCR requirement, which applies at aggregate level across all currencies. 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-2021, Nykredit's LCR in EUR was 392%.

## 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.

**Non-financial risk areas**

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

### Capital requirement for operational risk

Nykredit 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 27.2 billion in 2021.

### Compliance risk

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

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

### IT risk and IT security

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

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

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.

DKK million

Nykredit Realkredit Group

## 53. 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 | | |
|---|---|---|---|---|---|---|
| **2021** | Nominal/ amortised value | Carrying amount | Fair value adjustment for account-ing purposes | Nominal/ amortised value | Carrying amount | Fair value adjustment for account-ing purposes |
| **Assets** | | | Accumulated | | | Accumulated |
| 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, 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)** | | **-** | | | **-** | |

| **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 | - | - | 26 | - | - | 23 |
| Swaps hedging interest rate risk of financial liabilities | 42 | (248) | (164) | 43 | (235) | (164) |

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

It is Nykredit's strategy to apply derivative financial instruments to hedge the interest rate risk of fixed-rate financial assets and liabilities, except for the interest rate risk of short-term loans, advances and deposits and to hedge close to 100%. This enables the Group to manage the level of its aggregate interest rate sensitivity taking into consideration the expected interest rate development. Thus, cash flows have been changed from a fixed interest payment to a variable interest payment. The average fixed rate of derivatives hedging financial assets and liabilities, respectively, is 0.5% or 0.8%.

The financial assets and liabilities that qualify as eligible hedged items are monitored on a current basis. These items may be included either as individual items or portfolios of assets and liabilities. Both are used for hedge accounting. Nykredit Bank's fixed-rate loans and fixed-rate deposits are grouped into portfolios. These include portfolios of loans, advances, deposits and other payables of a uniform risk level and are hedged using derivative financial instruments with similar characteristics (such as interest rate). 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 49 and 50 which show offsetting and maturities relating to derivative financial instruments as well as "Hedge accounting" in accounting policies.

DKK million

Nykredit Realkredit Group

## 53. HEDGE ACCOUNTING (CONTINUED)

| | Nykredit Realkredit A/S | | | Nykredit Realkredit Group | | |
|---|---|---|---|---|---|---|
| **2020** | Nominal/ amortised value | Carrying amount | Fair value adjustment for account-ing purposes | Nominal/ amortised value | Carrying amount | Fair value adjustment for account-ing purposes |
| **Assets** | | | Accumulated | | | Accumulated |
| Loans, advances and other receivables at amortised cost (interest rate risk) | - | - | - | 189 | 195 | 6 |
| Bonds at amortised cost | 635 | 636 | 1 | 635 | 636 | 1 |
| **Liabilities** | | | | | | |
| Deposits and other payables (interest rate risk) | - | - | - | 112 | 131 | (19) |
| Bonds in issue at amortised cost (interest rate risk) | 42,140 | 42,357 | (217) | 42,825 | 43,050 | (225) |
| Subordinated debt (interest rate risk) | 10,404 | 10,524 | (119) | 10,404 | 10,524 | (119) |
| **Derivative financial instruments** | | | | | | |
| Interest rate swaps, loans, advances and other receivables (net) | - | - | - | 112 | 20 | 20 |
| Interest rate swaps, bonds at amortised cost | 83 | (1) | (1) | 83 | (1) | (1) |
| Interest rate swaps, loans and advances as well as deposits and other payables (net) | - | - | - | 572 | (6) | (6) |
| Interest rate swaps, bonds in issue at amortised cost | 42,140 | 217 | 217 | 42,859 | 226 | 226 |
| Interest rate swaps, subordinated debt | 10,415 | 119 | 119 | 10,415 | 119 | 119 |
| Gain/loss for the year on hedging instruments | | 55 | | | 38 | |
| Gain/loss for the year on hedged items | | (55) | | | (42) | |
| **Net gain/loss through profit or loss (ineffectiveness for the year)** | | **-** | | | **(4)** | |

## 53. HEDGE ACCOUNTING (CONTINUED)

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

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

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

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

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

The Danish T/N DKK rate will be discontinued on 1 January 2026. The transition is expected to proceed like the EONIA transition.

Otherwise, the transition has not had a noticeable impact on the Group's hedging of interest rate risk for accounting purposes, see the Group's Annual Report for 2020.

DKK million

Nykredit Realkredit Group

**53. HEDGE ACCOUNTING (CONTINUED)**

| Hedging derivative | Nominal value | Carrying amount assets | Carrying amount liabilities | P&L effect (hedge ineffectiveness) |
|---|---|---|---|---|
| **Interest rate swaps, end-2021** | | | | |
| Cibor | 106 | | | |
| Euribor | 55,221 | | | |
| Libor | 79 | | | |
| **Total 2021** | **55,406** | **1,182** | **53,843** | **-** |
| **Total 2020** | **54,041** | **831** | **53,705** | **(4)** |

| **Swaps: Carrying amount by time-to-maturity** | 2021 | 2020 |
|---|---|---|
| Up to 1 year | 43 | 37 |
| Over 1 year and up to 5 years | (234) | 196 |
| Over 5 years | (141) | 125 |
| **Total** | **(332)** | **358** |

DKK million

Nykredit Realkredit Group

## 54. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

| | Financial items at amortised cost 2021 | Financial items at fair value 2021 | Financial items at amortised cost 2020 | Financial items at fair value 2020 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash balances and receivables from credit institutions and central banks | 45,294 | - | 59,361 | - |
| Loans, advances and other receivables at fair value[1] | - | 1,382,803 | - | 1,350,925 |
| Loans and advances etc | 125,796 | - | 108,768 | - |
| Bonds | - | 84,589 | - | 106,094 |
| Positive market value of derivatives | - | 17,143 | - | 22,363 |
| Interest and administration margin income etc receivable | 213 | 1,489 | 195 | 1,858 |
| **Total** | **171,302** | **1,486,024** | **168,325** | **1,481,240** |
| | | | | |
| **Liabilities** | | | | |
| Payables to credit institutions and central banks | 14,917 | - | 14,611 | - |
| Deposits and other payables | 100,076 | - | 97,987 | - |
| Bonds in issue at fair value[2] | - | 1,362,926 | - | 1,366,709 |
| Bonds in issue at amortised cost | 59,991 | - | 52,368 | - |
| Other non-derivative financial liabilities at fair value | - | 10,830 | - | 9,723 |
| Subordinated debt | 10,737 | - | 10,893 | - |
| Negative market value of derivatives | - | 8,777 | - | 12,024 |
| Interest etc payable | 500 | 6,622 | 204 | 6,849 |
| **Total** | **186,221** | **1,389,155** | **176,063** | **1,395,304** |

[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

DKK million

| Nykredit Realkredit A/S 2020 | Nykredit Realkredit A/S 2021 | | Nykredit Realkredit Group 2021 | Nykredit Realkredit Group 2020 |
|---|---|---|---|---|
| | | **55. CURRENCY EXPOSURE** | | |
| | | **By main currency, net** | | |
| 1 | 150 | USD | 153 | 6 |
| 1 | 0 | GBP | 1 | 1 |
| 3 | 5 | SEK | 8 | 3 |
| (0) | 0 | NOK | 1 | 1 |
| 1 | 3 | CHF | 3 | (0) |
| 0 | 0 | CAD | (0) | (1) |
| 0 | 0 | JPY | 1 | (0) |
| 191 | (102) | EUR | 129 | 210 |
| 0 | 0 | Other | 0 | 4 |
| **197** | **56** | **Total** | **295** | **224** |
| - | - | Exchange Rate Indicator 1 | 24 | 12 |

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.

## 56. EVENTS SINCE THE BALANCE SHEET DATE

The European Banking Authority's guidelines regarding PD and LGD estimation under the CRR2 have been amended with effect from 1 January 2022. This implies an increase in the Nykredit Realkredit Group's risk exposure amount (REA) under Pillar I of about DKK 33 billion, which has a negative effect of about 1.6% on the Group's CET1 capital ratio. In Nykredit Realkredit A/S this implies an increase in the risk exposure amount (REA) under Pillar I of about DKK 13.2 billion, which has a negative effect of about 0.4% on the CET1 capital ratio.

## 57. FINANCIAL RATIOS, DEFINITIONS

| Financial ratios | Definition |
|---|---|
| Return on equity before tax, % | The sum of profit (loss) before tax divided by average equity. |
| Return on equity after tax, % | The sum of profit (loss) after tax divided by average equity. |
| Income:cost ratio | Total income divided by total costs less tax. |
| Foreign exchange position, % | Exchange Rate Indicator 1 at year-end divided by Tier 1 capital including Additional Tier 1 capital less deductions at year-end. |
| Loans and advances:equity (loan gearing) | The sum of loans and advances at fair value and loans and advances at amortised cost divided by equity at year-end. |
| Growth in loans and advances for the year, % | Loans and advances at nominal value at year-end divided by loans and advances at nominal value at the beginning of the year. |
| Impairment charges for 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. |
| Return on capital employed, % | Profit (loss) after tax for the year divided by total assets. |

| Financial ratios - capital and capital adequacy | Definition |
|---|---|
| Total capital ratio, % | Own funds divided by the risk exposure amount. |
| Tier 1 capital ratio, % | Tier 1 capital (including Additional Tier 1 capital) divided by the risk exposure amount. |
| Common Equity Tier 1 capital ratio, % | Common Equity Tier 1 capital (excluding Additional Tier 1 capital) divided by the risk exposure amount. |

Financial ratios are based on the Danish FSA's definitions and guidelines.

| Other financial ratios on page 5 and in note 3 | Definition |
|---|---|
| Profit (loss) for the year as % of business capital (ROAC) (return on allocated capital) | 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 as % pa of average equity* | 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 as % of income | Costs divided by income |
| Business profit (loss) as % pa of average equity* | Business profit (loss) divided by average equity |

* Equity is calculated based on the five-quarter average.

DKK million

Nykredit Realkredit Group

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| **58. FIVE-YEAR FINANCIAL HIGHLIGHTS** | | | | | |
| **SUMMARY INCOME STATEMENT** | | | | | |
| Net interest income | 11,291 | 11,237 | 11,038 | 10,869 | 11,485 |
| Net fee income etc | 324 | 118 | (264) | (337) | (99) |
| **Net interest and fee income** | **11,615** | **11,355** | **10,774** | **10,532** | **11,386** |
| Value adjustments | 3,573 | 2,050 | 2,130 | 724 | 3,620 |
| Other operating income | 1,765 | 1,409 | 2,198 | 1,056 | 501 |
| Staff and administrative expenses | 5,661 | 5,290 | 4,830 | 4,609 | 4,533 |
| Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets | 444 | 294 | 305 | 103 | 248 |
| Other operating expenses | 236 | 176 | 191 | 154 | 196 |
| Impairment charges for loans, advances and receivables etc | (115) | 2,272 | 994 | 380 | 379 |
| Profit (loss) from investments in associates and Group enterprises | 7 | 8 | 5 | (9) | 21 |
| **Profit before tax** | **10,734** | **6,791** | **8,787** | **7,057** | **10,170** |
| Tax | 1,863 | 1,118 | 1,344 | 1,247 | 2,039 |
| **Profit for the year** | **8,870** | **5,673** | **7,443** | **5,810** | **8,131** |
| Value adjustment and reclassification of strategic equities against equity | - | - | - | - | (6) |
| **SUMMARY BALANCE SHEET, YEAR-END** | 31.12.2021 | 31.12.2020 | 31.12.2019 | 31.12.2018 | 31.12.2017 |
| **Assets** | | | | | |
| Cash balances and receivables from credit institutions and central banks | 45,294 | 59,361 | 59,623 | 29,691 | 48,031 |
| Mortgage loans at fair value | 1,382,551 | 1,350,630 | 1,287,370 | 1,193,667 | 1,163,879 |
| Bank loans excluding reverse repurchase lending | 74,513 | 71,146 | 65,466 | 60,566 | 55,783 |
| Bonds and equities etc | 91,956 | 113,140 | 115,690 | 99,444 | 102,125 |
| Remaining assets | 79,158 | 71,491 | 82,188 | 64,624 | 56,992 |
| **Total assets** | **1,673,473** | **1,665,767** | **1,610,336** | **1,447,991** | **1,426,810** |
| **Liabilities and equity** | | | | | |
| Payables to credit institutions and central banks | 14,917 | 14,611 | 13,914 | 15,692 | 13,319 |
| Deposits and other payables | 100,076 | 97,987 | 100,677 | 93,191 | 75,914 |
| Bonds in issue at fair value | 1,362,926 | 1,366,709 | 1,336,414 | 1,196,229 | 1,179,093 |
| Subordinated debt | 10,737 | 10,893 | 11,004 | 11,011 | 10,942 |
| Remaining liabilities | 91,226 | 85,792 | 63,949 | 51,990 | 68,695 |
| Equity | 93,591 | 89,774 | 84,378 | 79,878 | 78,847 |
| **Total liabilities and equity** | **1,673,473** | **1,665,767** | **1,610,336** | **1,447,991** | **1,426,810** |
| **OFF-BALANCE SHEET ITEMS** | | | | | |
| Contingent liabilities | 8,987 | 9,121 | 6,616 | 5,913 | 7,055 |
| Other commitments | 23,087 | 20,762 | 28,206 | 16,948 | 8,443 |
| **FINANCIAL RATIOS**[1] | | | | | |
| Total capital ratio, % | 24.7 | 24.3 | 23.7 | 25.4 | 25.3 |
| Tier 1 capital ratio, % | 21.5 | 21.1 | 20.5 | 22.1 | 21.7 |
| Return on equity before tax, % | 11.7 | 7.8 | 10.7 | 8.9 | 13.6 |
| Return on equity after tax, % | 9.7 | 6.5 | 9.1 | 7.2 | 10.8 |
| Income:cost ratio | 2.72 | 1.85 | 2.39 | 2.36 | 2.90 |
| Foreign exchange position, % | 0.0 | 0.0 | 0.5 | 0.0 | 0.3 |
| Loans and advances:equity (loan gearing) | 16.1 | 16.3 | 16.6 | 16.2 | 15.8 |
| Growth in loans and advances for the year, % | 5.2 | 4.9 | 7.8 | 3.9 | 2.4 |
| Impairment charges for the year, % | (0.01) | 0.15 | 0.07 | 0.03 | 0.03 |
| Return on capital employed, % | 0.53 | 0.34 | 0.46 | 0.40 | 0.57 |

[1] Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 57.

DKK million

Nykredit Realkredit A/S

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| **58. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)** | | | | | |
| **SUMMARY INCOME STATEMENT** | | | | | |
| Net interest income | 3,927 | 4,031 | 3,916 | 4,038 | 4,209 |
| Net fee income etc | 594 | 678 | 340 | 639 | 626 |
| **Net interest and fee income** | **4,520** | **4,709** | **4,256** | **4,678** | **4,835** |
| Value adjustments | 1,740 | 778 | 1,524 | (375) | 961 |
| Other operating income | 1,481 | 1,339 | 2,044 | 1,021 | 952 |
| Staff and administrative expenses | 3,112 | 2,874 | 2,642 | 2,767 | 2,773 |
| Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets | 408 | 253 | 278 | 93 | 227 |
| Other operating expenses | 202 | 138 | 167 | 131 | 166 |
| Impairment charges for loans, advances and receivables etc | (157) | 1,407 | 696 | (37) | (164) |
| Profit (loss) from investments in associates and Group enterprises | 5,339 | 3,828 | 3,957 | 3,925 | 5,076 |
| **Profit before tax** | **9,515** | **5,981** | **7,998** | **6,295** | **8,822** |
| Tax | 690 | 329 | 554 | 433 | 698 |
| **Profit for the year** | **8,825** | **5,652** | **7,443** | **5,861** | **8,125** |
| **SUMMARY BALANCE SHEET, YEAR-END** | 31.12.2021 | 31.12.2020 | 31.12.2019 | 31.12.2018 | 31.12.2017 |
| **Assets** | | | | | |
| Cash balances and receivables from credit institutions and central banks | 43,062 | 46,914 | 65,967 | 37,761 | 55,198 |
| Mortgage loans at fair value | 529,970 | 535,665 | 534,346 | 509,225 | 519,721 |
| Totalkredit mortgage loan funding | 902,631 | 876,618 | 842,624 | 712,600 | 688,444 |
| Bonds and equities etc | 35,370 | 47,244 | 40,341 | 39,613 | 43,149 |
| Remaining assets | 79,431 | 68,754 | 64,823 | 59,342 | 60,779 |
| **Total assets** | **1,590,464** | **1,575,194** | **1,548,102** | **1,358,540** | **1,367,291** |
| **Liabilities and equity** | | | | | |
| Payables to credit institutions and central banks | 2,879 | 1,458 | 2,562 | 1,094 | 5,353 |
| Deposits and other payables | - | 7,200 | 11,950 | 10,500 | - |
| Bonds in issue | 1,419,027 | 1,408,672 | 1,398,243 | 1,229,273 | 1,235,565 |
| Subordinated debt | 10,737 | 10,896 | 11,016 | 11,011 | 10,942 |
| Remaining liabilities | 64,320 | 57,290 | 40,010 | 26,779 | 36,583 |
| Equity | 93,501 | 89,678 | 84,321 | 79,883 | 78,847 |
| **Total liabilities and equity** | **1,590,464** | **1,575,194** | **1,548,102** | **1,358,540** | **1,367,291** |
| **OFF-BALANCE SHEET ITEMS** | | | | | |
| Other commitments | 8,615 | 9,514 | 14,376 | 7,392 | 1,596 |
| **FINANCIAL RATIOS[1]** | | | | | |
| Total capital ratio, % | 18.5 | 19.6 | 19.1 | 20.9 | 20.5 |
| Tier 1 capital ratio, % | 16.1 | 17.1 | 16.7 | 18.1 | 17.9 |
| Return on equity before tax, % | 10.4 | 6.9 | 9.7 | 7.9 | 11.8 |
| Return on equity after tax, % | 9.6 | 6.5 | 9.1 | 7.4 | 10.8 |
| Income:cost ratio | 3.67 | 2.28 | 3.11 | 3.13 | 3.94 |
| Foreign exchange position, % | - | - | 0.2 | 0.0 | 0.3 |
| Loans and advances:equity (loan gearing) | 5.7 | 6.0 | 6.3 | 6.4 | 6.6 |
| Growth in loans and advances for the year, % | 0.4 | 0.1 | 4.6 | (1.9) | (1.5) |
| Impairment charges for the year, % | (0.03) | 0.26 | 0.13 | 0.00 | (0.03) |
| Return on capital employed, % | 0.55 | 0.36 | 0.48 | 0.42 | 0.59 |

[1] Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 57.

DKK million

Nykredit Realkredit Group

## 59. GROUP STRUCTURE

| Name and registered office | Ownership interest as %, 31 December 2021 | Profit for 2021 | Equity, 31 December 2021 | Number of staff in 2021 | Profit for 2020 | Equity, 31 December 2020 | Number of staff in 2020 |
|---|---|---|---|---|---|---|---|
| Nykredit Realkredit A/S (parent), Copenhagen, a) | - | 8,825 | 93,501 | 2,660 | 5,652 | 89,678 | 2,552 |
| Totalkredit A/S, Copenhagen, a) | 100 | 2,414 | 38,726 | 241 | 2,085 | 32,506 | 233 |
| Nykredit Bank A/S, Copenhagen, b) | 100 | 2,759 | 30,743 | 705 | 1,610 | 25,986 | 678 |
| Nykredit Portefølje Administration A/S, Copenhagen, f) | 100 | 265 | 1,536 | 136 | 192 | 1,271 | 125 |
| Nykredit Leasing A/S, Gladsaxe, e) | 100 | 116 | 1,055 | 57 | 82 | 939 | 58 |
| Sparinvest Holdings SE, Luxembourg, g) | 75 | 85 | 173 | 75 | 44 | 211 | 1 |
| Nykredit Mægler A/S, Copenhagen, c) | 100 | 119 | 187 | 33 | 96 | 169 | 31 |
| LR Realkredit A/S, a (merged with Nykredit Realkredit A/S as of 1 January 2021) | 100 | - | - | - | 80 | 3,379 | 4 |
| Kalvebod Ejendomme I A/S, Copenhagen, d) | 100 | 37 | 660 | - | 31 | 586 | - |
| Kirstinehøj 17 A/S, Copenhagen, d) | 100 | 8 | 31 | - | 4 | 71 | - |
| Ejendomsselskabet Kalvebod A/S, Copenhagen, g) (dissolved on 7 January 2021 with effect from 30 November 2020) | 100 | - | - | - | 24 | - | - |
| Kalvebod Ejendomme II A/S, Copenhagen, d) (dissolved) | 100 | - | - | - | 6 | - | - |
| Greve Main A/S, Copenhagen, d) (dissolved) | 100 | - | - | - | 2 | - | - |

The Group structure only includes significant subsidiaries. Financial information is provided in the order in which the subsidiaries are recognised in the Consolidated Financial Statements.

All banks and mortgage providers subject to national financial supervisory authorities must comply with the statutory capital requirements. The capital requirements may limit intercompany facilities and dividend payments.

| Geographical distribution of activities | Number of staff | Revenue[1] | Profit before tax | Tax | Government aid received |
|---|---|---|---|---|---|
| Denmark: Names and activities appear from the Group structure above | 3,886 | 29,143 | 10,602 | 1,830 | - |
| Luxembourg: Names and activities appear from the Group structure above | 21 | 361 | 132 | 34 | |

[1] For companies preparing financial statements in accordance with the Danish Financial Business Act, revenue is defined as interest, fee and commission income and other operating income.

a) Mortgage bank
b) Bank
c) Estate agency business
d) Property company
e) Leasing business
f) Investment management company
g) Holding company, no independent 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

DKK million

Nykredit Realkredit Group

| 59. GROUP STRUCTURE (CONTINUED)<br>Name and registered office | Ownership interest as %, 31 December 2021 | Revenue 2020 | Profit (loss) for 2020 | Assets, 31 December 2020 | Liabilities, 31 December 2020 | Equity, 31 December 2020 | Nykredit's share of profit for 2020 | Nykredit's share of equity value, 31 December 2020 | Profit (loss) for 2019 | Equity, 31 December 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Associates**[1] | | | | | | | | | | |
| Bolighed A/S, a) | 50 | 9 | (1) | 7 | 1 | 6 | (0) | 3 | (0) | 6 |
| Boligsiden A/S, Copenhagen, a) | 23 | 10 | 2 | 28 | 13 | 15 | 0 | 3 | 1 | 13 |
| Komplementarselskabet Core Property Management A/S, Copenhagen, b) | 20 | 1 | 1 | 2 | 0 | 2 | 0 | 0 | 2 | 16 |
| Core Property Management P/S, Copenhagen, a) | 20 | 125 | 34 | 70 | 12 | 58 | 7 | 12 | 32 | 63 |
| E-nettet A/S, Copenhagen, c) | 16 | 208 | 6 | 253 | 144 | 109 | 1 | 18 | 0 | 103 |
| Jesper Nielsen Franchisegiver A/S, Copenhagen d) | 50 | 2 | 0 | 2 | 1 | 0 | 0 | 0 | (1) | 0 |
| &Money ApS, Copenhagen, e) | 25 | 0 | (1) | 12 | 1 | 11 | (0) | 4 | - | - |

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

Nykredit holds less than 20% of the shares in E-nettet A/S, but still exercises significant influence over the financial and operational conditions of the company as it has a representative on the board of directors. Consequently for accounting purposes the shareholding is treated as an associate.

a) Property company
b) Investment company
c) IT provider
d) Estate agency business
e) Established in 2019

DKK million

| Nykredit Realkredit A/S | 31.12.2020 | | |
|---|---|---|---|
| | Annual Report | Restated | Effect of merger |
| **60. MERGER OF NYKREDIT REALKREDIT A/S AND LR REALKREDIT A/S** | | | |
| **SUMMARY INCOME STATEMENT** | | | |
| Net interest income | 3,881 | 4,031 | 150 |
| Net fee income etc | 693 | 678 | (15) |
| **Net interest and fee income** | **4,574** | **4,709** | **135** |
| Value adjustments | 793 | 778 | (15) |
| Other operating income | 1,338 | 1,339 | 0 |
| Staff and administrative expenses | 2,846 | 2,874 | 27 |
| Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets | 253 | 253 | 0 |
| Other operating expenses | 134 | 138 | 4 |
| Impairment charges for loans, advances and receivables etc | 1,382 | 1,407 | 25 |
| Profit from investments in associates and Group enterprises | 3,908 | 3,828 | (80) |
| **Profit (loss) before tax** | **5,999** | **5,981** | **(18)** |
| Tax | 347 | 329 | (18) |
| **Profit (loss) for the period** | **5,652** | **5,652** | **-** |
| **SUMMARY BALANCE SHEET** | | | |
| Assets | | | |
| Cash balances and receivables from credit institutions and central banks | 46,134 | 46,914 | 780 |
| Loans, advances and other receivables at fair value and amortised cost | 1,392,876 | 1,413,645 | 20,769 |
| Bonds at fair value and amortised cost | 38,656 | 41,532 | 2,875 |
| Equities etc | 6,349 | 6,349 | - |
| Investment in Group enterprises and associates | 62,723 | 59,344 | (3,379) |
| Intangible assets incl land and buildings | 902 | 902 | - |
| Remaining assets | 6,452 | 6,510 | 58 |
| **Total assets** | **1,554,091** | **1,575,194** | **21,103** |
| Liabilities and equity | | | |
| Payables to credit institutions and central banks | 1,458 | 1,458 | - |
| Deposits and other payables | 7,200 | 7,200 | - |
| Bonds in issue at fair value and amortised cost | 1,434,680 | 1,455,639 | 20,959 |
| Other payables | 9,865 | 10,006 | 141 |
| **Total payables** | **1,453,204** | **1,474,304** | **21,101** |
| Provisions | 314 | 316 | 3 |
| Subordinated debt | 10,896 | 10,896 | - |
| Total equity | 89,678 | 89,678 | - |
| **Total liabilities and equity** | **1,554,091** | **1,575,194** | **21,103** |

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.

DKK million

Nykredit Realkredit A/S

Summary series financial statements at the level of the association and Nykredit Realkredit In General

| 2021 | 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 | 0.3 | 0.7 | 0.1 | 0.1 |
| Administrative expenses | (0.3) | (0.1) | (0.1) | (0.2) | 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 | (0.4) | (0.1) | 0.0 | (0.1) | 0.0 | 0.0 |
| **Profit** | **1.1** | **0.5** | **0.2** | **0.4** | **0.1** | **0.1** |
| | | | | | | |
| **Balance sheet** | | | | | | |
| **Assets** | | | | | | |
| Mortgage loans etc | 88.5 | 102.4 | 3.4 | 6.5 | 2.9 | 2.4 |
| Remaining assets | 32.7 | 8.9 | 3.8 | 9.6 | 1.6 | 2.9 |
| **Total assets** | **121.2** | **111.3** | **7.2** | **16.1** | **4.5** | **5.3** |
| | | | | | | |
| **Liabilities and equity** | | | | | | |
| Bonds in issue etc | 98.2 | 102.7 | 3.9 | 7.5 | 3.5 | 3.8 |
| Remaining liabilities | 5.6 | 5.1 | 0.4 | 0.7 | 0.1 | 0.2 |
| Equity | 17.4 | 3.5 | 2.9 | 7.9 | 0.9 | 1.3 |
| **Total liabilities and equity** | **121.2** | **111.3** | **7.2** | **16.1** | **4.5** | **5.3** |
| | | | | | | |
| **Movements in capital, net** | (0.2) | 0.0 | (0.1) | 0.0 | (0.2) | (0.6) |

| 2021 | 7 | 8 | 9 Total |
|---|---|---|---|
| | HUSM | JLKR | (1(8)) |
| **Income statement** | | | |
| Income from lending | 0.1 | 0.0 | 0.9 |
| Interest etc, net | 0.1 | 0.0 | 3.0 |
| Administrative expenses | 0.0 | 0.0 | (0.7) |
| Write-offs and impairment charges for loans and advances | 0.0 | 0.0 | 0.0 |
| Tax | (0.1) | 0.0 | (0.7) |
| **Profit** | **0.1** | **0.0** | **2.5** |
| | | | |
| **Balance sheet** | | | |
| **Assets** | | | |
| Mortgage loans etc | 1.9 | 1.5 | 209.5 |
| Remaining assets | 1.5 | 1.1 | 62.1 |
| **Total assets** | **3.4** | **2.6** | **271.6** |
| | | | |
| **Liabilities and equity** | | | |
| Bonds in issue etc | 2.2 | 1.8 | 223.6 |
| Remaining liabilities | 0.2 | 0.2 | 12.5 |
| Equity | 1.0 | 0.6 | 35.5 |
| **Total liabilities and equity** | **3.4** | **2.6** | **271.6** |
| | | | |
| **Movements in capital, net** | (0.1) | (0.2) | - |

DKK million

Nykredit Realkredit A/S

Summary series financial statements at the level of the association and Nykredit Realkredit In General

| 2021 | 10 | 11 | 12 | 13 Total | 14 | 15 Total |
|---|---|---|---|---|---|---|
| | FK | LRR | NYK | (10-12) | INST | (9,13,14) |
| **Income statement** | | | | | | |
| Income from lending | 0.0 | 98.9 | 3,635.4 | 3,734.3 | 2.0 | 3,737.2 |
| Interest etc, net | 0.0 | 4.0 | 3,925.4 | 3,929.4 | 3,581.0 | 7,513.4 |
| Administrative expenses | 0.0 | (1.0) | (989.0) | (990.0) | (902.2) | (1,892.9) |
| Write-offs and impairment charges for loans and advances | 0.0 | (22.7) | 92.1 | 69.4 | 87.8 | 157.2 |
| Tax | 0.0 | (17.4) | (1,466.1) | (1,483.5) | 794.5 | (689.7) |
| **Profit** | **0.0** | **61.8** | **5,197.8** | **5,259.6** | **3,563.1** | **8,825.2** |
| | | | | | | |
| **Balance sheet** | | | | | | |
| **Assets** | | | | | | |
| Mortgage loans etc | 0.0 | 15,434.3 | 514,541.8 | 529,976.1 | 244.6 | 530,430.2 |
| Remaining assets | 0.0 | 3,397.6 | 1,057,186.6 | 1,060,584.2 | 59,997.8 | 1,120,644.1 |
| **Total assets** | **0.0** | **18,831.9** | **1,571,728.4** | **1,590,560.3** | **60,242.4** | **1,651,074.3** |
| | | | | | | |
| **Liabilities and equity** | | | | | | |
| Bonds in issue etc | 0.0 | 17,564.3 | 1,467,141.7 | 1,484,706.0 | 272.3 | 1,485,201.9 |
| Remaining liabilities | 0.0 | 867.9 | 72,438.1 | 73,306.0 | 2,776.6 | 76,095.1 |
| Equity | 0.0 | 399.7 | 32,148.6 | 32,548.3 | 57,193.5 | 89,777.3 |
| **Total liabilities and equity** | **0.0** | **18,831.9** | **1,571,728.4** | **1,590,560.3** | **60,242.4** | **1,651,074.3** |
| | | | | | | |
| **Movements in capital, net** | 0.0 | 399.7 | (9,607.1) | - | 13,028.6 | - |

1 Københavns Kreditforening
2 Fyens Stifts Kreditforening
3 Landkreditkassen
4 Østifternes Husmandskreditforening
5 Sønderjyllands Kreditforening
6 Den vest- og sønderjydske Kreditforening
7 Jydsk Husmandskreditforening
8 Jydsk Landkreditforening
9 Total (1-8) Foreninger før 1972
10 Forenede Kreditforeninger
11 LR Realkredit
12 Nykredit (including Capital Centres C, D, E, G, H, I & J)
13 Total (10-12) Foreninger efter 1972
14 Nykredit Realkredit In General
15 Total (9, 13, 14) Nykredit Realkredit A/S

| Notes | | DKK million |
|---|---|---|
| **1. Assets, Series Financial Statements** | | |
| Assets in Nykredit Realkredit A/S's Financial Statements, end-2021 | | 1,590,463.8 |
| Assets, Series Financial Statements | | 1,651,074.3 |
| **Difference** | | **(60,610.5)** |
| **Specified as follows:** | | |
| Set-off of self-issued ROs, self-issued SDOs, self-issued senior secured debt and other self-issued securities | | (60,315.5) |
| Set-off of interest receivable from self-issued bonds etc | | (295.0) |
| **Total** | | **(60,610.5)** |
| **2. Equity, Series Financial Statements** | | |
| Equity in Nykredit Realkredit A/S's Financial Statements, end-2021 | | 93,500.8 |
| Of which holders of Additional Tier 1 capital | | (3,751.1) |
| Provisions for repayable reserves in pre-1972 series | | 27.7 |
| **Equity, Series Financial Statements** | | **89,777.3** |

## FINANCIAL CALENDAR 2022

| | |
|---|---|
| 9 February | Publication of Annual Reports 2021 and announcements of Financial Statements of the Nykredit Realkredit Group, Totalkredit A/S (in Danish only) and the Nykredit Bank Group. |
| 24 March | Annual General Meeting of Totalkredit A/S, Kalvebod Brygge 1-3, DK-1780 Copenhagen V. |
| 24 March | Annual General Meeting of Nykredit Bank A/S, Kalvebod Brygge 1-3, DK-1780 Copenhagen V. |
| 24 March | Annual General Meeting of Nykredit Realkredit A/S, Kalvebod Brygge 1-3, DK-1780 Copenhagen V. |
| 5 May | Publication of Q1 Interim Report 2022 of the Nykredit Realkredit Group. |
| 17 August | Publication of H1 Interim Reports 2022 of the Nykredit Realkredit Group, Totalkredit A/S (in Danish only) and the Nykredit Bank Group. |
| 3 November | Publication of Q1-Q3 Interim Report 2022 of the Nykredit Realkredit Group. |

## DIRECTORSHIPS AND EXECUTIVE POSITIONS

The Board of Directors and the Executive Board form the Nykredit 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 25 March 2021. 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
Independent director

Board of Directors, meetings attended in 2021: 11/11
Chair of the Board Nomination Committee, meetings attended in 2021: 3/3
Chair of the Board Remuneration Committee, meetings attended in 2021: 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:
Egmont Fonden**
Egmont International Holding A/S**
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

**Nina Smith, Deputy Chair**
Professor

Date of birth: 17 October 1955
Gender: Female
Joined the Board on 22 September 2004
Non-independent director in view of directorship in Forenet Kredit f.m.b.a.

Board of Directors, meetings attended in 2021: 11/11
Member of the Board Nomination Committee, meetings attended in 2021: 3/3
Member of the Board Remuneration Committee, meetings attended in 2021: 3/3

Board expertise:
In-depth knowledge:
- Financial regulation
- Capital markets, securities and funding
- Politics, public administration and associations
- Risk management and credit matters
- Strategic matters
- Economics, finance and accounting

Expert knowledge:
- Sector and real estate expertise

Professor at Institut for Økonomi, Aarhus Universitet

Chair of:
Forenet Kredit f.m.b.a.
Nykredits Fond
VIVE – Det Nationale Forsknings- og Analysecenter for Velfærd

Deputy Chair of:
Nykredit A/S

Director of:
Fonden Visit Aarhus
Landbrugets Kulturfond*
Tænketanken Frej*

Other:
Chair of Kommissionen for 2. generationsreformer, de nye reformveje

**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 2021: 11/11
Member of the Board Remuneration Committee, meetings attended in 2021: 2/3**

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.

**Michael Demsitz**
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 2021: 11/11
Member of the Board Risk Committee, meetings attended in 2021: 1/6**
Member of the Board Audit Committee, meetings attended in 2021: 5/6*

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

Chief Executive Officer of:
Boligkontoret Danmark

Chair of:
Byggeskadefonden

Deputy Chair of:
Forenet Kredit f.m.b.a.
Nykredits Fond

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 2021: 11/11

Member of the Board Nomination Committee, meetings attended in 2021: 3/3
Member of the Board Audit Committee, meetings attended in 2021: 6/6
Chair of the Board Risk Committee, meetings attended in 2021: 6/6
Member of the Board Remuneration Committee, meetings attended in 2021: 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 Projekt & Service A/S

Director of:
Forenet Kredit f.m.b.a.
Nykredit A/S
Erik Fjeldsøe Fonden
Foreningen Ofelia Plads

**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 2021: 11/11
Chair of the Board Audit Committee – meetings attended in 2021: 6/6
Member of the Board Risk Committee – meetings attended in 2021: 6/6

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
DKT 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

Other:
Member of Advisory Board for Axcel Management**
Member of Advisory Board for Kirk Kapital A/S
Special Adviser to ATP
Senior Adviser to Investeringsfonden for Udviklingslande (IFU)

**Hans-Ole Jochumsen**
Former Vice Chairman

Date of birth: 14 November 1957
Gender: Male
Joined the Board on 22 March 2018
Independent director

Board of Directors, meetings attended in 2021: 11/11
Member of the Board Risk Committee, meetings attended in 2021: 6/6

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:
- Sector and real estate expertise
- Digitisation, IT and processes
- Financial regulation
- Capital markets, securities and funding

Chair of:
MFEX Holding AB**
MFEX Mutual Funds Exchange AB**
NDX Interessenter AB
Nordax Bank AB
Nordax Group AB

Director of:
Nykredit A/S

Other:
Industrial Adviser 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

**Vibeke Krag**
Former Chief Executive Officer

Date of birth: 3 November 1962
Gender: Female
Joined the Board on 16 March 2017
Independent director

Board of Directors, meetings attended in 2021: 11/11
Member of the Board Audit Committee, meetings attended in 2021: 1/6**
Member of the Board Risk Committee, meetings attended in 2021: 5/6*

Board expertise:
In-depth knowledge:
- Digitisation, IT and processes
- Financial regulation
- Risk management and credit matters
- Corporate governance
- Economics, finance and accounting

Expert knowledge:
- Sector and real estate expertise
- Capital markets, securities and funding
- Market conditions, customer relations and sales
- Organisation/HR and processes
- Strategic matters

Director of:
Forenet Kredit f.m.b.a.**
Nykredit A/S
Arbejdsmarkedets Fond for Udstationerede (AFU)
Arbejdsmarkedets Tillægspension (ATP)
Gjensidige Forsikring ASA
Heimstaden AB*
Heimstaden Bostad AB (publ)*
Lønmodtagernes Garantifond (LG)
Seniorpensionsenheden

Other:
Chair of the audit committee of Gjensidige Forsikring ASA
Faculty member, CBS Executive, bestyrelsesuddannelsen
Member of Konkurrencerådet
Member of Udpegningsorganet for Københavns Universitet
Editor of Erhvervsjuridisk tidskrift, Karnov

**Allan Kristiansen*****
Chief Relationship Manager

Date of birth: 6 March 1958
Gender: Male
Joined the Board on 12 April 2000

Board of Directors, meetings attended in 2021 11/11

Board expertise:
In-depth knowledge:
- Capital markets, securities and funding
- Market conditions, customer relations and sales

Expert knowledge:
- Sector and real estate expertise
- Financial regulation
- Risk management and credit matters
- Strategic matters
- Economics, finance and accounting

Director of:
Nykredit A/S
Nykredit Bank A/S

**Inge Sand*****
Senior Agricultural Adviser

Date of birth: 13 March 1965
Gender: Female
Joined the Board on 16 March 2016

Board of Directors, meetings attended in 2021: 11/11

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

Member of the committee of representatives of:
Forenet Kredit f.m.b.a.

Nykredit Realkredit Group

**Kristina Andersen Skiøld*****
Chair of Finansforbundet NYKREDS

Date of birth: 15 September 1984
Gender: Female
Joined the Board on 26 March 2020

Board of Directors, meetings attended in 2021: 11/11
Member of the Board Remuneration Committee, meetings attended in 2021: 1/3*

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.

**Preben Sunke***
Vice President/Group COO of Danish Crown A/S

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 2021: 8/11
Member of the Board Audit Committee – meetings attended in 2021: 4/6*

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

Vice President of:
Danish Crown A/S

Chair of:
Slagteriernes Arbejdsgiverforening

Deputy Chair of:
Agri-Norcold A/S
Daka Denmark A/S

Director of:
Forenet Kredit f.m.b.a.
Nykredit A/S*
Danish Crown Foods A/S*
DAT-Schaub A/S*
Sokolow S.A.

Managing Director of:
Anpartsselskabet PS af 1/8 - 1998
Leverandørselskabet Danish Crown AMBA

Other:
Expert assessor of the Danish Maritime and Commercial High Court

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 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

Director of:
FR I af 16. september 2015 A/S
Member of Investor Board for Danish SDG Investment Fund (Verdensmålsfonden)

### Tonny Thierry Andersen
Group Managing Director

Date of birth: 30 September 1964
Gender: Male
Joined the Executive Board on 1 June 2019

Managing Director of:
Nykredit 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 A/S

Chair of:
BEC Financial Technologies AMBA
Kalvebod Ejendomme I A/S
Kirstinehøj 17 A/S

Deputy Chair of:
JN Data A/S
Totalkredit A/S

Director of:
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 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

| | |
|---|---|
| * | Joined in 2021 |
| ** | Resigned in 2021 |
| *** | Staff-elected member |