



Annual Report 2022

**Nordea Kredit Realkreditaktieselskab**

Grønjordsvej 10, 2300 Copenhagen S, Denmark  
Business registration number 15134275

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with a 200-year history of  
supporting and growing the  
Nordic economies – enabling  
dreams and aspirations  
for a greater good.***

***Every day, we work to  
support our customers'  
financial development,  
delivering best-in-class  
omnichannel customer  
experiences and driving  
sustainable change.***

***The Nordea share is listed  
on the Nasdaq Helsinki,  
Nasdaq Copenhagen and  
Nasdaq Stockholm exchanges.***

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# Financial summary

## Key financial figures (DKKm)

	2022	2021	Change %	2020	2019
<b>Income statement</b>					
Total operating income	2,828	2,704	5	2,739	2,685
Total operating expenses	-1,424	-1,367	4	-608	-306
Profit before impairment losses on loans and receivables	1,404	1,338	5	2,131	2,379
Impairment losses on loans and receivables	-27	82	-133	-491	-6
Profit before tax	1,377	1,419	-3	1,640	2,373
<b>Net profit for the year</b>	<b>1,075</b>	<b>1,107</b>	<b>-3</b>	<b>1,279</b>	<b>1,850</b>
<b>Balance sheet</b>					
Receivables from credit institutions and central banks	39,264	48,523	-19	49,948	67,462
Loan and receivables at fair value	385,887	432,280	-11	417,553	404,998
Loans and receivables at nominal value <sup>1</sup>	433,757	436,116	-1	409,222	398,497
Debt to credit institutions and central banks	9,503	14,260	-33	4,998	5,597
Bonds in issue at fair value	389,737	441,234	-12	435,055	440,929
Equity	22,280	22,311	0	22,481	22,590
Total assets	425,506	481,015	-12	467,936	473,277

## Ratios and key figures

	2022	2021	2020	2019
Return on equity, %	4.8	4.9	5.7	8.2
Cost/income ratio <sup>2</sup>	50.4	50.5	22.2	11.4
Write-down ratio, basis points	0.7	-1.9	11.7	0.1
Common equity tier 1 capital ratio	28.4	24.7	25.0	24.4
Tier 1 capital ratio	28.4	24.7	25.0	24.4
Total capital ratio	30.5	26.6	29.6	27.0
Own funds, DKKm	22,178	22,076	24,432	22,803
Tier 1 capital, DKKm	20,628	20,526	20,682	20,603
Risk exposure amount, DKKm	72,751	83,099	82,626	84,322
Average number of employees (full-time equivalents)	116	118	116	114

<sup>1</sup> After adjustment for provisions for loan losses.

<sup>2</sup> Cost/income ratio increased due to an update in 2021 of the transfer pricing method applied by Nordea to group internal sales and distribution services provided by Nordea Bank.

# Board of Directors' report

Nordea Kredit Realkreditaktieselskab is a wholly owned subsidiary of Nordea Bank Abp. Nordea Kredit Realkreditaktieselskab is domiciled in Copenhagen and its business registration number is 15134275.

Throughout this report the term "Nordea Kredit" refers to Nordea Kredit Realkreditaktieselskab, "Nordea" refers to the Nordea Bank Abp Group and "Nordea Bank" refers to the parent company Nordea Bank Abp. The figures in brackets refer to 2021.

## Economic slowdown

2022 was a year with changing conditions in the Danish mortgage market. At the beginning of the year sales activity in the housing market and lending for change of ownership were high. However, with the economic slowdown caused by increasing energy prices, inflation, high interest rates and the war in Ukraine, activity in the housing market slowed down markedly reducing lending activity.

The 30-year mortgage interest rate increased sharply during 2022. While most 30-year fixed-rate mortgage loans were issued in 1.5% bonds in January 2022, the dominant 30-year fixed rate was 4% by June 2022 and peaked at 5% in September 2022.

Besides the negative effect on the housing market, the increasing long-term interest rates gave household customers an opportunity to remortgage existing fixed-rate loans to new loans with a lower nominal value.

As a result the remortgaging of fixed-rate loans kept lending activity up despite the slow housing market.

Total lending at nominal value decreased slightly to DKK 434bn (DKK 436bn) at end-2022. This was partly due to customers reducing their debt when remortgaging fixed-rate loans. Furthermore, a significant number of customers chose to replace their mortgage loans at Nordea Kredit by mortgage bank loans at Nordea Bank.

The loan to value (LTV) ratio of owner-occupied dwellings and holiday homes was historically low at 49% compared to 54% at end-2021 driven by lower bond prices. Nordea Kredit's loan book is solid, should the economic slowdown continue.

## Green mortgage loans

Nordea's focus on the green transition is clearly reflected in Nordea Kredit's lending portfolio. The green mortgage loan offering to corporate customers reached DKK 13bn (DKK 11bn) at end-2022 – equivalent to a market share of approximately 22% for green bonds denominated in Danish kroner by end-2022. Green lending accounts for 10% of total lending to corporate customers.

## Financial review 2022

Profit before tax amounted to DKK 1,377m (DKK 1,419m). Except from the impact on impairment losses from the worsened macroeconomic outlook during 2022, profit before tax was in line with expectations.

## Operating income

Net interest income increased by 6% to DKK 3,517m (DKK 3,324m) driven by higher average nominal lending volumes and the return on own funds. Even though lending volumes were down during 2022, the average volume was up due to the strong increase during 2021 and the first half of 2022. This was partly offset by a slight decrease in average margins of 1.4bp driven by lower LTV ratios at origination. Net interest income from own funds was positively affected by the strong increase in interest rate levels during 2022.

Fee and commission income was up by 1% to DKK 633m (DKK 629m), driven by refinancing fees following higher refinancing volumes in 2022 compared to 2021 and redemption fees following the high remortgaging activity.

Fee and commission expenses increased by 4% to DKK 1,310m (DKK 1,259m) mainly related to higher guarantee fees for the first loss guarantee driven by higher average nominal lending volumes. Furthermore, liquidity support fees increased as a result of higher use of the liquidity facility.

## Staff and administrative expenses

Total staff and administrative expenses increased by 4% to DKK 1,424m (DKK 1,367m) mainly due to an increased fee for sales and distribution services provided by Nordea Bank.

Staff costs increased by 2% to DKK 119m (DKK 116m) mainly due to general salary increases.

## Impairment losses on loans and receivables

Impairment losses on loans and receivables increased to DKK 27m (net reversal of DKK 82m). Even though realised loan losses were still at a low level in 2022, Nordea Kredit has recognised a management judgement of a total of DKK 261m to cover credit losses not captured by the impairment model due to the rapidly deteriorating macroeconomic outlook. The management judgement of DKK 121m related to the COVID-19 pandemic has been reversed as further loan losses are not expected.

The expected refund from the Danish government to mink farmers was reassessed at the end of 2022. Almost all individually calculated provisions on mortgage loans to mink farmers were therefore reversed by the end of 2022.

Overall, the loan portfolio of Nordea Kredit is well diversified with robust collateral.

The write-down ratio of the loan portfolio increased to 0.7bp (-1.9bp).

## Tax

Income tax expense was DKK 302m (DKK 312m) and the effective tax rate was 22% (22%).

## Net profit for the year

Net profit for the year amounted to DKK 1,075m (DKK 1,107m), corresponding to a return on equity in 2022 of 4.8% (4.9%).

## Assets

Total assets decreased by 12% to DKK 426bn (DKK 481bn).

Receivables from credit institutions and central banks, mainly consisting of deposits with Nordea Bank, amounted to DKK 39bn (DKK 49bn).

Loans and receivables at fair value decreased to DKK 386bn (DKK 432bn) due to the increased interest rates. Total lending at nominal value after loan losses decreased by 1% to DKK 434bn (DKK 436bn). Higher interest rates and remortgaging activity reduced lending at nominal value for all property categories in 2022.

**Table 1. Lending at nominal value by property category**

DKKbn	2022	2021	Change %
Owner-occupied dwellings and holiday homes	306	306	0%
Commercial properties	93	92	1%
Agricultural properties	35	38	-7%
<b>Total</b>	<b>434</b>	<b>436</b>	<b>-1%</b>

The quality of the loan portfolio continued to be strong in 2022, whereas the macroeconomic outlook deteriorated significantly. Accumulated loan loss provisions therefore increased to DKK 520m (DKK 511m).

The loss guarantees from Nordea Bank are first loss guarantees covering loans totalling DKK 428bn (DKK 428bn). The share of the total loans covered by the loss guarantees was 99% (98%). The loss guarantee significantly reduces the credit risk and hence the loan losses at Nordea Kredit.

Assets held temporarily increased and consisted of 5 repossessed properties (1) by the end of 2022 with a carrying amount of DKK 3m (DKK 1m).

## Debt

Debt to credit institutions and central banks amounted to DKK 10bn (DKK 14bn), mainly consisting of short-term funding from Nordea Bank. Furthermore, debt to credit institutions included senior non-preferred loans of DKK 3.8bn (DKK 2.3bn). Nordea Kredit raised a senior non-preferred loan of DKK 1.5bn with the parent company Nordea Bank Abp in March 2022. The loan is eligible for the debt buffer requirement.

Bonds in issue at fair value totalled DKK 390bn (DKK 441bn) after offsetting the portfolio of own bonds of DKK 7bn (DKK 11bn). Bonds in issue at fair value decreased following the increased interest rate level.

## Equity

Shareholders' equity amounted to DKK 22bn (DKK 22bn) at the end of 2022.

It is proposed to distribute the net profit of DKK 1.1bn as dividend to the parent company Nordea Bank Abp. The proposed dividend payment is equivalent to DKK 63 (DKK 64) per share.

## Capital adequacy

At year-end the risk exposure amount (REA) of Nordea Kredit decreased by 12% to DKK 72.8bn (DKK 83.1bn). The common equity tier 1 (CET1) ratio increased to 28.4% (24.7%) due to the decrease in REA. The total capital ratio

was up to 30.5% (26.6%) at end-2022 mainly affected by decreased REA. The decrease in REA was mainly related to decreases in fair value driving the exposure at default downwards.

At year-end 2022 the leverage ratio was 4.8% (4.2%), thus meeting the minimum requirement of 3%. The leverage ratio requirement to capital currently exceeds the risk-based capital requirement.

Nordea Kredit complies with the conditions for temporary use of internal models in accordance with the European Central Bank (ECB) ruling of 16 August 2018 for Nordea and approved for Nordea Kredit by the Danish Financial Supervisory Authority (the Danish FSA) in December 2018. Applications for regulatory approvals of redeveloped IRB models have been submitted and are expected to be approved and implemented in 2023/2024.

## Debt buffer

The debt buffer requirement was DKK 7.7bn at end-2022 (DKK 8.6bn). Nordea Kredit met the debt buffer requirement with excess CET1 capital, tier 2 capital and unsecured senior debt.

## Individual solvency needs

Under Danish legislation Nordea Kredit must publish its adequate capital base as well as its individual solvency need on a quarterly basis. Information about individual solvency needs is available on [www.nordea.com/en/investors/individual-solvency-need](http://www.nordea.com/en/investors/individual-solvency-need).

## The property market

### The economy

The world economy was hit by challenges in 2022. Inflation has risen sharply, central banks have raised key interest rates and China has had extensive shutdowns due to COVID-19, creating significant bottlenecks in the global economy. At the same time Russia has invaded Ukraine, which has resulted in higher energy and food prices.

The rising inflation is affected by the after-effects of the coronavirus. With the COVID-19 pandemic came restrictions and shutdowns all over the world, which in turn created imbalances between supply and demand. Demand for physical goods increased, while the supply fell as a result of closed factories and disruptions in international supply chains.

The mismatch between supply and demand was also made worse by very loose monetary and fiscal policies during the COVID-19 pandemic in 2020 and 2021, as key interest rates were lowered and politicians adopted large aid packages to keep the economies going.

In February 2022 the world economy was hit by Russia's invasion of Ukraine. Europe is a large importer of for example oil and gas from Russia, but political tensions from the war have reduced imports into Europe, further pushing up inflation.

Recently inflation has fallen in both the US and Europe after having reached up to approximately 10% in both parts of the world. There is still a long way down to the 2% that both the US Federal Reserve and the ECB steer towards in the medium term.

We expect inflation to continue to go down in 2023. If the current high inflation persists, there is a risk of wage drift, which in turn will lead to higher sales prices from companies. In that case, inflation can become self-reinforcing.

In 2022 the high inflation caused central banks worldwide to raise key interest rates significantly in order to restore the balance between supply and demand. The tightening of monetary policy has led to major movements in financial markets, where for example mortgage interest rates have risen sharply. However, the Danish economy has a strong starting point, as employment is at a record high.

### Property prices and market activity

The housing market slowed down in 2022. At the beginning of the year, interest in buying owner-occupied housing was still high, the supply low and price reductions relatively small. But the market started to slow down already during the spring and according to the business organisation Finance Denmark, house prices fell in the third quarter of 2022.

Specifically, prices of average detached and terraced houses fell by 2.1% in the third quarter of 2022, while prices of owner-occupied flats fell by 4.6% and prices of holiday homes by 0.1%. The price reductions for both houses and flats are higher in and around Copenhagen than in the rest of the country.

At the same time both offer price reductions and times on the market have increased. The housing market thus went from tailwind to headwind in 2022.

The price reductions are driven by rising interest rates and the high inflation of for example energy and food prices, which weakens households' purchasing power. At the same time households experience higher uncertainty in the economic outlook, which is reflected in the currently very low consumer confidence readings published by Statistics Denmark.

We expect house prices will fall further in the coming year, but continue to be higher than before the coronavirus pandemic. However, the uncertainty about housing price trends is higher than usual. The overall housing price reduction may end up being significant, not least in the market for owner-occupied flats in Copenhagen, which is also challenged by the upcoming housing tax reform which will come into force on 1 January 2024.

### Interest rates

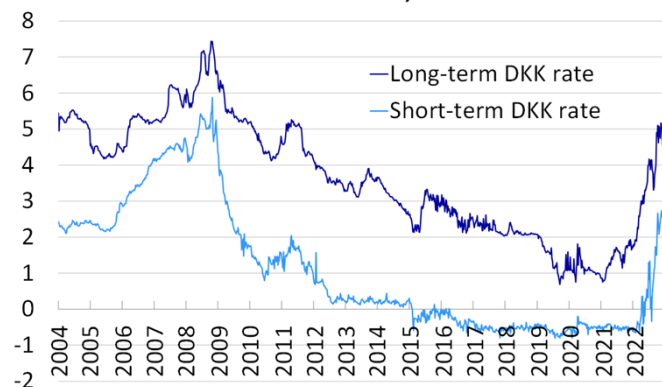
The bond market was affected by the macroeconomic trends in 2022. When the year began, the coupon rate on the 30-year benchmark fixed-rate loan was 1.5%, and at the end of the year the coupon rate reached 5%.

Short-term interest rates also rose, but still to a lower level than long-term rates. At Nordea Kredit's auction of adjustable-rate loans in November 2022, the F1, F3 and F5 interest rates ended at 3.40%, 3.29% and 3.32%, respectively. This is

significantly higher than at the auction in November 2021 when the F1, F3 and F5 interest rates were set at -0.23%, 0.07% and 0.16%, respectively.

The rise in interest rates is due to the high inflation and higher key policy rates from the central banks. Both the US Federal Reserve and the ECB have a 2% inflation target, and higher inflation has therefore led investors to expect further monetary tightening in the coming year.

**Figure 1. Interest rate development**  
Interest rate, %



### Residential rental properties

The commercially owned residential property market saw good trading activity even though activity slowed down during the second half of 2022.

Vacancy rates in almost all the largest cities are lower than in early 2022 caused by population growth and lower construction activity.

The yield requirement that had fallen to a very low level is again increasing slightly in many areas.

### Office properties

There has been good demand for modern and well-located office properties in the larger cities and vacancy rates are still low.

The Copenhagen office market will be expanding in the coming years which can cause downward pressure on rent levels.

In smaller cities downward pressure on rent levels is seen, which leads to lower prices.

### Retail properties

Rising vacancy rates have caused pressure on rent levels resulting in lower prices also in the larger cities. Vacancies are seen especially in side streets.

Competition from online trading and the decline in private consumption have contributed to retail shop closures and vacancies.



## Industrial and logistics properties

The strong market for logistics properties in recent years has among other things been driven by efforts to mitigate vulnerable supply chains and by the strong trend in online trading.

The decline in private consumption has already reduced demand for logistics properties slightly. The slightly reduced demand has not had an effect on vacancies or sales prices yet.

## Agricultural properties

The agricultural sector achieved good results in 2022, but with large variances. Crop and milk producers had very good results due to rising product prices, which more than offset the rising costs. The price of pork, on the other hand, was not able to keep up with the rising costs, which is why especially pork producers with a low degree of self-sufficiency in feed achieved unsatisfactory results.

The results in pork production are expected to improve in 2023, while the results in crop and milk production are expected to fall from the very high level in 2022. The green transition and the expected CO<sub>2</sub> tax are elements that will also affect agriculture in the coming years.

Trading activity in land and crop properties has been good in recent years and with stable/rising prices partly due to the sharply rising prices of crops. The turnover of properties with livestock production is more subdued, but well-maintained properties with good locations and future-oriented production facilities see satisfactory turnover. Trading activity is expected to be unchanged in the coming year. However, the current relatively high level of interest rates may put a dampener on the market.

## Nordea Kredit's lending

### The loan portfolio

Total lending at nominal value after loan losses amounted to DKK 434bn by end-2022 (DKK 436bn).

The slight decrease in lending volumes is to a large extent a consequence of the remortgaging carried out by homeowners with fixed-rate loans throughout the year. As long-term interest rates rose sharply in 2022, homeowners had the opportunity to buy back their fixed-rate loans at a low bond price and replace them by new loans with a lower nominal value. The remortgaging of fixed-rate loans reduced lending volumes at Nordea Kredit by DKK 12bn during 2022.

Particularly due to interest rate trends and lower bond prices, the average LTV of the lending portfolio decreased to 46% (52%) in 2022. For owner-occupied dwellings and holiday homes, average LTVs were reduced to 49% (54%) by end-2022.

In 2022 activity in the housing market was lower compared to the previous years. Sales activity was affected especially in the second half of 2022 by the economic slowdown due to increasing energy prices, interest rate hikes, inflation and the unstable geopolitical situation stemming from the war in Ukraine.

Total gross new lending in 2022 was DKK 98bn (DKK 105bn), of which DKK 75bn (DKK 77bn) was for owner-occupied dwellings and holiday homes. Lending activity in 2022 was primarily driven by remortgaging and top-up lending for owner-occupied dwellings and holiday homes.

Nordea Kredit's lending portfolio for owner-occupied dwellings and holiday homes has in recent years roughly been split 50/50 between fixed-rate and adjustable-rate mortgage loans. However, as long-term interest rates hit historically low levels in 2020 and 2021, fixed-rate loans increased in popularity. By end-2021 55% of the household portfolio consisted of fixed-rate loans. As long-term interest rates and spreads increased during 2022, many household customers chose to replace their 30-year fixed-rate mortgage loans by adjustable-rate loans. By end-2022 the ratio between fixed-rate and adjustable-rate mortgage loans was again back at 50/50.

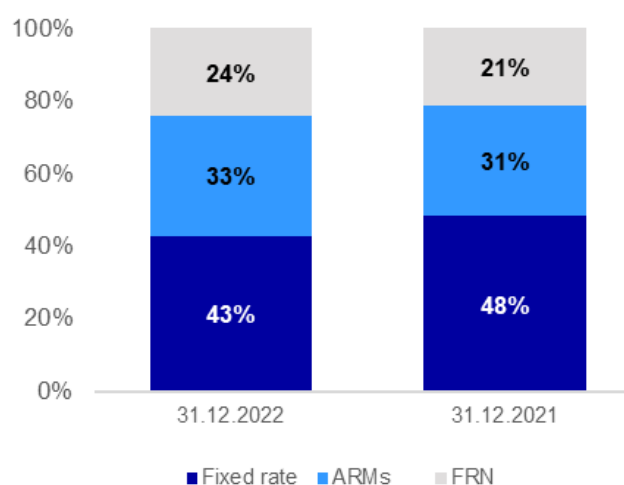
Some household customers chose to replace their fixed-rate mortgage loans by Kort Rente loans or F5 loans in 2022, while others chose mortgage bank loans with Nordea Bank.

By end-2022 43% (48%) of Nordea Kredit's lending portfolio (all property types) was fixed-rate loans. While the most popular loan types among household customers in 2022 were fixed-rate loans followed by adjustable-rate loans (F3-F5 loans), the preferred loan types among corporate customers were floating-rate products (Cibor6 and Cibor6 Green) and secondly adjustable-rate loans.

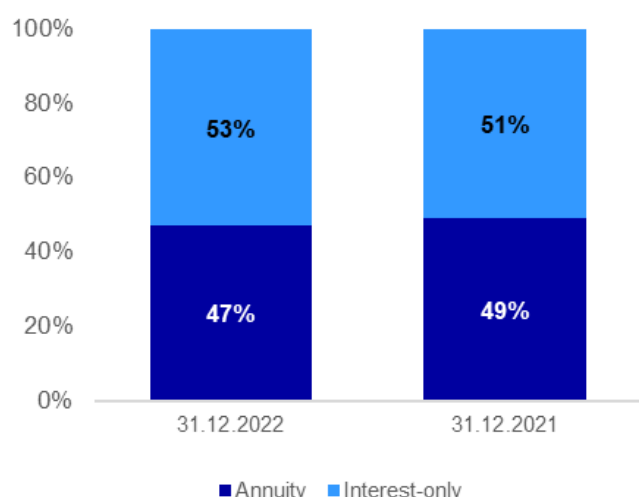
Interest-only loans were popular in 2022 and accounted for 53% (51%) of the lending portfolio by end-2022. The increased use of interest-only loans was primarily driven by the popularity of Frihed30 loans. Frihed30 loans are targeted towards experienced homeowners and are only offered to very creditworthy customers with a maximum LTV of 60%.

By end-2022 Frihed30 loans to household customers amounted to DKK 50bn (DKK 41bn).

**Figure 2. Total loan portfolio by loan type**



**Figure 2. Total loan portfolio by loan type, continued**



### Supplementary collateral for loans financed through covered mortgage bonds

Mortgage institutions issuing loans based on covered bonds (SDROs) must regularly monitor the value of the mortgaged properties. The value of residential properties must be monitored at least every three years under existing legislation, whereas commercial properties must be monitored annually. In the event of significant changes in market conditions, values must be monitored more frequently.

If it is determined in the monitoring process that the statutory LTV limit for the individual property has been exceeded, the mortgage institution must provide supplementary collateral. Total supplementary collateral is an overcollateralisation requirement and represents the sum of statutory LTV breaches on every single loan. This is monitored and calculated over the lifetime of the individual loans.

The supplementary collateral required based on the LTV ratios for the individual loans in capital centre 2 (SDRO bonds) was DKK 3bn at end-2022 (DKK 6bn).

## Funding

### Bond issuance

2022 was characterised by unusually rapid and significant interest rate increases. In line with other market participants, Nordea Kredit also had to open an extraordinary number of new fixed-rate callable bonds. This was necessary to be able to offer loans at a reasonable bond price level and at the same time consider the potential volume of the individual bonds.

In addition to the drastic interest rate increases, the bond market was strongly challenged in 2022 as foreign investors in general and especially Japanese investors chose to reduce their positions in Danish fixed-rate callable mortgage bonds.

The main demand in the market came from Danish homeowners who took advantage of the lower bond prices and remortgaged loans at a high pace. Even though facing major challenges in 2022 with rapidly increasing interest rates, deteriorating liquidity and high volatility, the bond market functioned every day throughout the year.

Nordea Kredit adheres to the specific balance principle and exclusively match-funds its lending by the issuance of bonds.

Bond issuance before redemptions amounted to DKK 138bn nominal in 2022 (DKK 142bn), all financed by means of covered bonds.

Nordea Kredit's green mortgage loans are floating-rate loans based on Cibor 6M and are offered to corporate customers against a mortgage on for example assets within renewable energy and properties with a Danish EPC (Energy Performance Certificate) rating of A-B. Nordea Kredit's green mortgage loans are financed by designated green covered mortgage bonds and at end-2022 the volume amounted to DKK 13bn.

At end-2022 the total outstanding nominal value of bonds, before offsetting the portfolio of own bonds, amounted to DKK 445bn (DKK 456bn). Of this amount, mortgage bonds accounted for DKK 1bn (DKK 2bn) and covered mortgage bonds accounted for DKK 444bn (DKK 454bn). At end-2022 the fair value of the total outstanding volume of bonds was DKK 390bn (DKK 441bn) after offsetting the portfolio of own bonds.

### Refinancing of adjustable-rate mortgages

Adjustable-rate mortgage loans (F1-F5) are refinanced as of January, April and October and funded by issuance of bullet bonds. Adjustable-rate mortgage loans for DKK 3bn, DKK 7bn and DKK 8bn were refinanced as of January 2022, April 2022 and October 2022, respectively.

Refinancing auctions during 2022 resulted in increased interest rates for customers. For example the interest rate for adjustable-rate mortgage loans with refinancing in October 2022 was fixed at 2.32% for a 30-year annuity loan with reset every three years (F3) compared to -0.22% in October 2021.

### Refinancing of floating-rate mortgages

Floating-rate loans based on Cibor6 and Cita6 are currently refinanced as of July. The July 2022 refinancing amounted to DKK 37bn, of which Cita6, traditional Cibor6 and green Cibor6 bonds accounted for DKK 16bn, DKK 15bn and DKK 6bn, respectively.

### Rating

The mortgage bonds issued by Nordea Kredit are rated by the rating agency Standard & Poor's. All bonds have been assigned the highest rating of AAA.

## Risk and capital management

### Risk management

Nordea Kredit is exposed to credit risk on borrowers as well as operational risk because of Nordea Kredit's activities. Furthermore, Nordea Kredit is exposed to liquidity risk and market risk in the form of interest rate risk and modest currency risk related to its mortgage loans and the investment of capital.

Risk management is described in Note 25 Risk and liquidity management.



## Capital management

Nordea Kredit strives to be efficient in its use of capital and therefore actively manages its balance sheet with respect to assets, liabilities and risk categories. Nordea Kredit reports risk exposure amounts according to applicable external regulations in the form of the Capital Requirements Directive IV (CRD IV)/the Capital Requirements Regulation (CRR), which stipulate the limits for the minimum capital (the capital requirement).

Nordea Kredit has approval to report its capital requirement in accordance with the advanced internal ratings-based (AIRB) approach for large enterprises. The internal ratings-based (IRB) approach is approved for credit institutions and commitments with retail customers in line with Nordea Bank. Rating and scoring are key components in credit risk management. Common to both the rating and scoring models is the ability to predict defaults and rank Nordea Kredit's customers. While the rating models are used for corporate customers, scoring models are used for personal customers and small corporate customers.

The most important parameters when quantifying the credit risk are the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). The parameters are used for calculation of risk exposure amounts. In general, historical losses and defaults are used to calibrate the PDs assigned to each rating grade. LGD is measured taking into account the collateral type and the counterparty's balance sheet components. Scoring models are pure statistical methods to predict the probability of customer default. Nordea Kredit collaborates with Nordea Bank in utilising bespoke behavioural scoring models developed on internal data to support both the credit approval process and the risk management process.

As a complement to the ordinary credit risk quantification, comprehensive stress testing is performed at least annually in accordance with current requirements (Internal Capital Adequacy Assessment Process, ICAAP), after which capital requirements are measured.

## Supervisory diamond

The supervisory diamond for mortgage institutions consists of five specific benchmarks that mortgage institutions in general should not exceed. The five benchmarks comprise risk areas identified by the Danish FSA.

Nordea Kredit complied with all the benchmarks of the supervisory diamond for mortgage institutions throughout 2022.

**Table 2. The supervisory diamond**

	2022	Limit
<b>1. Lending growth</b>		
Owner-occupied dwellings and holiday homes	0%	15%
Residential rental properties	0%	15%
Agriculture	-7%	15%
Other	1%	15%
<b>2. Borrower's interest rate risk<sup>1</sup></b>	11%	25%
<b>3. Interest-only lending<sup>2</sup></b>	6%	10%
<b>4. Short-term funding<sup>3</sup></b>		
Annually	13%	25%
Quarterly	1%	12.5%
<b>5. Large exposures<sup>4</sup></b>	34%	100%

<sup>1</sup> Loans for owner-occupied dwellings and holiday homes and residential rental properties where the LTV ratio exceeds 75% of the lending limit and the interest rate is fixed for less than two years are limited to 25%.

<sup>2</sup> Interest-only lending for owner-occupied dwellings and holiday homes where the LTV ratio exceeds 75% of the lending limit is limited to 10%.

<sup>3</sup> Yearly/quarterly refinancing is limited to 25%/12.5% of the total portfolio.

<sup>4</sup> The 20 largest exposures less CRR deductions are limited to 100% of CET1.

## New capital regulation

### Capital regulation

In March 2020 the countercyclical buffer rate was decreased to 0% in Denmark due to the pandemic. On 23 June 2021 it was decided to increase the buffer rate from 0% to 1% from 30 September 2022 and further decided on 15 December 2021 to increase the requirement to 2% from 31 December 2022. On 30 March 2022 the Danish Minister for Industry, Business and Financial Affairs announced a further increase to 2.5% valid from 31 March 2023.

Nordea Kredit was identified as a systemically important financial institution (SIFI) in January 2017. The identification as a SIFI and the buffer requirement were confirmed most recently on 24 June 2022. The latest identification is based on the new model for identification which was implemented in December 2021 as part of amendments to the Danish Financial Business Act. The implementation had no impact on the SIFI level for Nordea Kredit. The buffer requirement was 1.5% in 2022. The buffer rate for 2023 is unchanged following a decision on 22 December 2022 by the Danish Minister for Industry, Business and Financial Affairs. A pillar 2 requirement can be set for an institution on an individual basis at the Danish FSA's discretion. A pillar 2 requirement has been applied for Nordea Kredit.

### Finalised Basel III framework ("Basel IV")

Basel III is the global regulatory framework on bank capital adequacy, stress testing and liquidity risk. In December 2017 the finalised Basel III framework, often called the Basel IV package, was published. The Basel IV package was supposed to be implemented in 2022, but was postponed until 2023 due to the coronavirus pandemic, and includes revisions to credit risk, market risk, operational risk, credit valuation adjustment (CVA) risk, leverage ratio and introduces a new output floor.

Before being applicable to Nordea Kredit, the Basel IV package needs to be implemented into EU regulations. On 27 October 2021 the proposal for the implementation into EU regulations was published by the European Commission by amendments to the CRD and the CRR. The proposal from the Commission is to set the start date to 1 January 2025.

The Council finalised their negotiations in November 2022. The negotiation in the Parliament is still ongoing and expected to be finalised in the first months of 2023. When this is finalised, the negotiations between the Commission, the Council and the Parliament in the triologue can take place before the final set of regulations are decided.

## **Reporting on internal control and risk management regarding financial reporting**

### **Control environment**

The systems for internal control and risk management of financial reporting at Nordea Kredit are designed to provide reasonable assurance about the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, applicable laws and regulations as well as other requirements for companies with listed bonds. The internal control and risk management activities are included in Nordea Kredit's planning and resource allocation processes.

Internal control is based on a control environment which includes the following elements: values and management culture, an organisational structure with clear roles and responsibilities and an independent evaluation process. The documentation of the internal control framework consists of internal business procedures and Standard Operating Procedures (SOPs) supported by Nordea's directives.

To further support internal controls and guidelines, Nordea Kredit has a risk management function headed by a Chief Risk Officer (CRO) who is responsible for ensuring that the overall risk control at Nordea Kredit is conducted adequately. The CRO independently reports directly to the Board of Directors. Furthermore, Nordea Kredit has established a compliance function headed by a Chief Compliance Officer (CCO) who is responsible for independently monitoring, providing advice and assurance, and reporting of compliance risks.

### **Monitoring**

The Executive Management of Nordea Kredit reports on an ongoing basis to the Board of Directors and the Board Audit Committee on significant matters affecting the internal control in relation to financial reports.

Nordea Kredit's internal audit function reviews the company's processes, to test and report whether these are in accordance with the objectives set out by management. This review includes an assessment of the reliability of procedures, controls and financial reporting as well as compliance with legislation and regulations. The internal audit function annually issues a conclusion to the Board of Directors on the overall effectiveness of the governance, risk management and internal controls of Nordea Kredit.

The Board Audit Committee of Nordea Kredit assists the Board of Directors in fulfilling its oversight responsibilities, for instance by monitoring the financial reporting process and system and providing recommendations to ensure its reliability, monitoring the effectiveness of the internal controls and risk management systems, in relation to the financial reporting process, monitoring the effectiveness of the internal audit function and keeping itself informed as to the statutory audit of the annual accounts, informing the Board of Directors of the outcome of the statutory audit and explaining how the

statutory audit contributed to the reliability of financial reporting. Finally, the Board Audit Committee reviews and monitors the impartiality and independence of external auditors in accordance with section 24 of the Danish Act on Approved Auditors and Audit Firms, and in particular the provision of additional services to Nordea Kredit, and in conjunction therewith, pays special attention to whether the auditor provides Nordea Kredit with services other than auditing services. The external and the internal auditors present the results of their audits of Nordea Kredit's annual report to the Board of Directors and the Board Audit Committee.

## **Preventing financial crime**

Nordea Kredit complies with Nordea's policies and measures to prevent financial crime based on international standards, EU regulation and local legislation. Nordea Kredit is committed to complying with applicable laws, regulations and best practice and has established policies, procedures and controls to mitigate and manage the risks of being used for financial crime activities.

Nordea Kredit conducts an annual risk assessment – built on the Nordea framework – to ascertain any specific financial crime risks arising from Nordea Kredit's business model and activities and take appropriate actions to mitigate such risks.

## **Sustainability**

In accordance with the sustainability-related responsibility of Nordea, Nordea Kredit is committed to sustainable business and development by combining financial performance with environmental and social responsibility as well as sound governance practices. At the core of our operations is the development and provision of financial services and offerings that support sustainable development by enabling customers to make conscious and sustainable choices

<https://www.nordea.com/en/sustainability/sustainable-choice>).

Nordea Kredit offers green mortgage loans to finance corporate properties that fulfil the criteria of the Nordea Green Funding Framework, for example energy-efficient buildings with EPC ratings of A or B, renewable energy production and organic farms.

In the Nordea Kredit Debt Investor Report (<https://www.nordea.com/en/investors/debt-and-rating/nordea-kredit-covered-bonds>) the portfolio's CO2 emission, EPC distribution and green lending portfolio are elaborated.

## **Environmental, social and corporate governance (ESG)**

Nordea defines ESG risk as the risk of an adverse financial impact over the short to longer term, deriving from the direct or indirect impact that environmental (including climate), social and governance issues may have on Nordea. It is important for Nordea to integrate ESG assessments into our risk management frameworks.

Further information on Nordea's sustainability can be found in the annual report for Nordea ([www.nordea.com/en/investors/group-annual-reports](https://www.nordea.com/en/investors/group-annual-reports)).

## Data ethics policy

The Nordea Board of Directors has approved the Group Board Directive on Code of Conduct, the Group Board Directive on Data Governance and the Group Board Directive on Data Privacy. These Group directives include Nordea's policy for data ethics. The Group policies have been adopted by the Board of Directors of Nordea Kredit and are applicable for all employees of the Nordea Group.

Processing of data at Nordea Kredit is a part of the core business. Nordea Kredit complies with applicable law and strives to process, treat and analyse all data in a fair and transparent manner and with a strong ethical mindset. We respect customers' privacy:

- We collect and process personal and customer data fairly, lawfully and transparently for legitimate business purposes.
- We respect individuals' right to be in control of what data they share with us and for what purposes with the limitations that legal requirements set on us.
- We only disclose personal and customer data to those authorised to receive it internally at Nordea and externally, for example third parties we collaborate with.
- Our commitment to privacy remains also after relationships with stakeholders end.

The policy for data ethics covers the processing of data through its journey across the Nordea Group. Essential data, automated data processing and modelling are subject to governance and measured continuously to ensure a high level of data security and ensure compliance with the ethical guidelines.

The daily activities concerning data ethics are carried out in the local Nordea Kredit business areas. The reporting on data ethics is the responsibility of a number of functions at Nordea Kredit, including Compliance and Data Management.

## Changes to the Board of Directors

At the beginning of 2022 the Board of Directors consisted of Mads Skovlund Pedersen (Chair), Anne Rømer (Vice Chair and external member), Anita Ina Nielsen, Marte Kopperstad, Thomas Vedel Kristensen, Torben André Petersen and Anders Frank-Læssøe.

On 1 May 2022 Anders Holkmann Olsen was elected to the Board of Directors and on 1 September 2022 Torben André Petersen left the Board of Directors and was replaced by Helene Bløcher.

After the changes the Board of Directors consists of Mads Skovlund Pedersen (Chair), Anne Rømer (Vice Chair and external member), Anita Ina Nielsen, Marte Kopperstad, Thomas Vedel Kristensen, Anders Frank-Læssøe, Anders Holkmann Olsen and Helene Bløcher.

Further information regarding members of the Board of Directors and the Executive Management is available on page 52.

## Balanced gender composition

The Nordea Board of Directors has approved a policy to promote gender balance when selecting board members of subsidiaries of Nordea Bank Abp. The Board of Directors of Nordea Kredit has endorsed this policy where the Board of Directors should have a gender balance of 40/60. The gender balance was met throughout 2022.

Furthermore, the Nordea Board of Directors has approved a policy to promote gender balance on the other managerial levels. The Board of Directors of Nordea Kredit has endorsed this policy.

According to the policy, Nordea strives to ensure that the right person is employed for the right job at the right time, while ensuring the right mix of competencies needed, including an appropriate gender composition in leading positions.

The Board of Directors continuously assesses its composition to ensure that the necessary competencies are available while considering the need for an equal gender balance.

Nordea continuously follows up on diversity measures and social data. See the latest follow-up under the sustainability reporting in the annual report for Nordea ([www.nordea.com/en/investors/group-annual-reports](http://www.nordea.com/en/investors/group-annual-reports)).

## Remuneration at Nordea

Nordea has a clear remuneration policy as well as clear remuneration instructions and processes, supporting sound remuneration structures throughout the organisation.

The Board of Directors of Nordea decides on the Nordea Remuneration Policy, taking possible risks into account, and oversees its functionality by ensuring that it is applied and followed up as proposed by the Board Remuneration and People Committee.

### The Remuneration Policy

- Supports Nordea's ability to recruit, develop and retain highly motivated, competent and performance-oriented employees and hence support the Group strategy.
- Ensures that employees are offered a competitive and market-aligned total reward offering.
- Supports sustainable results and the long-term interests of shareholders by including goals directly linked to the performance of Nordea and by awarding parts of variable remuneration in shares or other instruments.
- Ensures that remuneration at Nordea is aligned with efficient risk management, the Nordea purpose and values and applicable regulations.

Nordea has a total remuneration approach to compensation that recognises the importance of well-balanced but differentiated remuneration structures based on business and local market needs as well as the importance of having remuneration that is consistent with and promotes sound and effective risk management and that does not encourage excessive risk-taking or counteract Nordea's long-term interests.

## Nordea's remuneration structures

Nordea's remuneration structure comprises fixed remuneration and variable remuneration.

Fixed remuneration components:

- Fixed base salary should remunerate for role and position and is affected by job complexity, responsibility, performance and local market conditions.
- Allowance is a predetermined fixed remuneration component tied to the employee's role and position. The fixed base salary is, however, the cornerstone of all fixed remuneration. Allowances are not linked to performance and do not incentivise risk-taking.
- Pension and insurance aim at ensuring an appropriate standard of living for employees after retirement as well as personal insurance coverage during employment. Pension and insurance provisions are in accordance with local laws, regulations and market practice and are either collectively agreed schemes or company-determined schemes or a combination. Nordea aims to have defined contribution pension schemes.
- Benefits at Nordea are awarded as part of the total reward offering that is either individually agreed or based on local laws, market practice, collective bargaining agreements and company-determined practice.

Variable remuneration components:

- The Nordea Incentive Plan (NIP) was created as of the 2022 performance year replacing the Executive Incentive Programme (EIP) and Variable Salary Part (VSP). It is offered to recruit, motivate and retain senior leaders and select roles. The NIP aims to reward

strong performance and efforts. The assessment of individual performance is based on a predetermined set of well-defined financial as well as non-financial goals.

- Profit Sharing Plan (PSP) is offered groupwide to all Nordea employees but not to employees who are eligible for any of Nordea's other formal annual variable remuneration plans. For eligible employees, the PSP is offered irrespective of position and salary and aims to collectively reward employees based on achievement in relation to predetermined financial goals as well as goals relating to customer satisfaction. The PSP is capped financially, and the outcome is not linked to the value of Nordea's share price.

## Subsequent events

No events have occurred after the balance sheet date which may affect the assessment of the annual report.

## Outlook for 2023

Profit before tax for 2023 is expected to be at the same level as in 2022.

The negative effect on volumes and margins throughout 2022 is expected to continue in 2023. The negative income effect of this is expected to be more than offset by a higher return on own funds driven by the full-year effect of increased interest rate levels.

The credit quality is high and a management judgement has been made in 2022 to cover the deteriorated macroeconomic outlook. Despite this the uncertainty about loan losses remains higher than normal.

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# Income statement

	Note	2022	2021
DKKm			
Interest income		8,512	7,313
Interest expenses		-4,995	-3,989
<b>Net interest income</b>	<b>2</b>	<b>3,517</b>	<b>3,324</b>
Fee and commission income		633	629
Fee and commission expenses		-1,310	-1,259
<b>Net interest and fee income</b>	<b>3</b>	<b>2,840</b>	<b>2,694</b>
Value adjustments	4	-17	1
Other operating income		4	8
Staff and administrative expenses	5	-1,424	-1,367
Depreciation of tangible assets		0	0
Impairment losses on loans and receivables	6	-27	82
Profit from equity investment in associated undertaking	7	1	2
<b>Profit before tax</b>		<b>1,377</b>	<b>1,419</b>
Tax	8	-302	-312
<b>Net profit for the year</b>		<b>1,075</b>	<b>1,107</b>
<b>Attributable to</b>			
Shareholder of Nordea Kredit Realkreditatieselskab		1,075	1,107
<b>Total</b>		<b>1,075</b>	<b>1,107</b>

# Statement of comprehensive income

	2022	2021
DKKm		
Net profit for the year	1,075	1,107
Other comprehensive income, net of tax	-	-
<b>Total comprehensive income</b>	<b>1,075</b>	<b>1,107</b>
<b>Attributable to</b>		
Shareholder of Nordea Kredit Realkreditatieselskab	1,075	1,107
<b>Total</b>	<b>1,075</b>	<b>1,107</b>



# Balance sheet

	Note	31 Dec 2022	31 Dec 2021
DKKm			
<b>Assets</b>			
Cash in hand and demand deposits with central banks		0	0
Receivables from credit institutions and central banks	10	39,264	48,523
Loans and receivables at fair value	11	385,887	432,280
Loans and receivables at amortised cost		1	1
Investment in associated undertaking	12	24	22
Tangible assets		0	0
Deferred tax assets	8	3	1
Current tax assets	8	7	2
Assets held temporarily	13	3	1
Other assets	14	311	177
Prepaid expenses		7	8
<b>Total assets</b>		<b>425,506</b>	<b>481,015</b>
<b>Debt</b>			
Debt to credit institutions and central banks	15	9,503	14,260
Bonds in issue at fair value	16	389,737	441,234
Other liabilities	17	2,426	1,644
Deferred income		10	16
<b>Total debt</b>		<b>401,675</b>	<b>457,154</b>
<b>Subordinated debt</b>			
<b>Subordinated debt</b>	18	<b>1,550</b>	<b>1,550</b>
<b>Equity</b>			
Share capital		1,717	1,717
Other reserves		24	23
Retained earnings		19,464	19,464
Proposed dividends		1,075	1,107
<b>Total equity</b>		<b>22,280</b>	<b>22,311</b>
<b>Total equity and debt</b>		<b>425,506</b>	<b>481,015</b>
<b>Contingent liabilities</b>			
Guarantees etc		0	0
Credit commitments		3,544	2,721
<b>Total contingent liabilities</b>		<b>3,544</b>	<b>2,721</b>

# Statement of changes in equity

DKKm	Share capital <sup>1</sup>	Other reserves <sup>2</sup>	Retained earnings	Proposed dividends	Total equity
<b>Balance at 1 Jan 2022</b>	<b>1,717</b>	<b>23</b>	<b>19,464</b>	<b>1,107</b>	<b>22,311</b>
Net profit for the year	-	1	1,074	-	1,075
Other comprehensive income, net of tax	-	-	-	-	-
Share-based payments	-	-	1	-	1
Dividends paid	-	-	-	-1,107	-1,107
Proposed dividends	-	-	-1,075	1,075	-
<b>Balance at 31 Dec 2022</b>	<b>1,717</b>	<b>24</b>	<b>19,464</b>	<b>1,075</b>	<b>22,280</b>

DKKm	Share capital <sup>1</sup>	Other reserves <sup>2</sup>	Retained earnings	Proposed dividends	Total equity
<b>Balance at 1 Jan 2021</b>	<b>1,717</b>	<b>21</b>	<b>19,464</b>	<b>1,279</b>	<b>22,481</b>
Net profit for the year	-	2	1,105	-	1,107
Other comprehensive income, net of tax	-	-	-	-	-
Share-based payments	-	-	2	-	2
Dividends paid	-	-	-	-1,279	-1,279
Proposed dividends	-	-	-1,107	1,107	-
<b>Balance at 31 Dec 2021</b>	<b>1,717</b>	<b>23</b>	<b>19,464</b>	<b>1,107</b>	<b>22,311</b>

<sup>1</sup> Total shares registered were 17,172,500 of DKK 100 each all fully owned by Nordea Bank Abp, Helsinki, Finland.

All issued shares are fully paid. All shares are of the same class and hold equal rights.

<sup>2</sup> Reserve for net revaluation according to the equity method.

<sup>3</sup> Nordea Kredit is consolidated into the group annual report for the parent company Nordea Bank Abp, Satamaradankatu 5, Helsinki, Finland which is available on [www.nordea.com/en/investors/group-annual-reports](http://www.nordea.com/en/investors/group-annual-reports).

# 5-year overview

## Income statement

DKKmn	2022	2021	2020	2019	2018
Net interest income	3,517	3,324	3,211	3,156	3,190
Net interest and fee income	2,840	2,694	2,722	2,670	2,555
Value adjustments	-17	1	10	13	-18
Other operating income	4	8	6	4	3
Staff and administrative expenses	-1,424	-1,367	-608	-306	-286
Depreciation of tangible assets	0	0	0	0	0
Impairment losses on loans and receivables	-27	82	-491	-6	-215
Profit from equity investment in associated undertaking	1	2	1	-2	3
<b>Profit before tax</b>	<b>1,377</b>	<b>1,419</b>	<b>1,640</b>	<b>2,373</b>	<b>2,042</b>
Tax	-302	-312	-361	-523	-449
<b>Net profit for the year</b>	<b>1,075</b>	<b>1,107</b>	<b>1,279</b>	<b>1,850</b>	<b>1,593</b>

## Balance sheet

DKKmn	2022	2021	2020	2019	2018
Receivables from credit institutions and central banks	39,264	48,523	49,948	67,462	43,440
Loans and receivables at fair value	385,887	432,280	417,553	404,998	394,916
Loans and receivables at nominal value <sup>1</sup>	433,757	436,116	409,222	398,497	387,159
Other assets	355	211	435	817	469
<b>Total assets</b>	<b>425,506</b>	<b>481,015</b>	<b>467,936</b>	<b>473,277</b>	<b>438,825</b>
Debt to credit institutions and central banks	9,503	14,260	4,998	5,597	10,841
Bonds in issue at fair value	389,737	441,234	435,055	440,929	400,817
Other liabilities	3,985	3,210	5,402	4,161	4,834
Equity	22,280	22,311	22,481	22,590	22,333
<b>Total equity and debt</b>	<b>425,506</b>	<b>481,015</b>	<b>467,936</b>	<b>473,277</b>	<b>438,825</b>

## Ratios and key figures

	2022	2021	2020	2019	2018
Return on equity, %	4.8	4.9	5.7	8.2	7.2
Cost/income ratio <sup>2</sup>	50.4	50.5	22.2	11.4	11.3
Write-down ratio, basis points	0.7	-1.9	11.7	0.1	5.4
Loans/equity ratio	17.3	19.4	18.6	17.9	17.7
Lending growth for the year, %	-0.5	6.6	2.7	3.0	1.0
Common equity tier 1 capital ratio	28.4	24.7	25.0	24.4	23.9
Tier 1 capital ratio	28.4	24.7	25.0	24.4	23.9
Total capital ratio	30.5	26.6	29.6	27.0	26.5
Own funds, DKKbn	22.2	22.1	24.4	22.8	22.5
Tier 1 capital, DKKbn	20.6	20.5	20.7	20.6	20.3
Risk exposure amount, DKKbn	72.8	83.1	82.6	84.3	84.8
Number of employees (full-time equivalents) <sup>3</sup>	115	118	116	119	113
Average number of employees	116	118	116	114	110

<sup>1</sup> After adjustment for provisions for loan losses.

<sup>2</sup> Cost/income ratio increased due to an update in 2021 of the transfer pricing method applied by Nordea to group internal sales and distribution services provided by Nordea Bank.

<sup>3</sup> At the end of the year.

# Glossary

The following definitions apply for ratios and key figures.

## **Common equity tier 1 capital ratio**

Common equity tier 1 capital ratio is calculated as common equity tier 1 capital as a percentage of risk exposure amount.

## **Cost/income ratio**

Total operating expenses divided by total operating income.

## **Lending growth**

The change in loans and receivables at nominal value during the year divided by loans and receivables at nominal value beginning of year.

## **Leverage ratio**

The leverage ratio is the institution's capital as tier 1 capital net after deductions divided by that institution's total leverage ratio exposure and expressed as a percentage.

## **Loans/equity ratio**

Loans and receivables at fair value divided by equity end of year.

## **Operating income**

Total of net interest and fee income, value adjustments, other operating income and profit from equity investment in associated undertaking.

## **Operating expenses**

Total of staff and administrative expenses and depreciation.

## **Own funds**

Own funds include the sum of the tier 1 capital and the supplementary capital consisting of subordinated loans, after deduction of the potential deduction for expected shortfall and other items.

## **Return on equity**

Net profit for the year as a percentage of average equity for the year. Average equity is including net profit for the year and dividend until paid.

## **Risk exposure amount**

Total assets and off-balance sheet items valued on the basis of the credit and market risks, as well as operational risks in accordance with regulations governing capital adequacy, excluding carrying amount of shares which have been deducted from the capital base and intangible assets.

## **Tier 1 capital**

The tier 1 capital of an institution consists of the sum of the common equity tier 1 capital and additional tier 1 capital of the institution. Common equity tier 1 capital includes shareholders' equity excluding proposed dividend, deferred tax assets and the full expected shortfall deduction (the negative difference between expected losses and provisions).

## **Tier 1 capital ratio**

Tier 1 capital as a percentage of risk exposure amount.

## **Total capital ratio**

Own funds as a percentage of risk exposure amount.

## **Write-down ratio**

Impairment losses on loans and receivables during the year as a percentage of the closing balance of loans and receivables before impairment losses on loans and receivables.

# Notes to the financial statements

## Note 1 Accounting policies

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### 1. Basis for presentation

The annual report for Nordea Kredit is prepared in accordance with the Danish Financial Business Act, including the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Credit Institutions and Investment Firms etc (the Executive Order).

The accounting policies, methods of computation and presentations are unchanged from last year.

All figures 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. Therefore the sum of individual figures and the stated totals may differ slightly.

### 2. Critical judgements and estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of judgements and estimates by management. Actual outcomes can later, to some extent, differ from the estimates and the assumptions made.

In this section a description is made of:

- the sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, and
- the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant impact on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments, and
- measurement of loans and receivables at fair value due to changes in credit risk.

#### Fair value measurement of certain financial instruments

Nordea Kredit's accounting policy for determining the fair value of financial instruments is described in section 6 "Determination of fair value of financial instruments".

Critical judgements that have a significant impact on the recognised amounts for financial instruments are exercised when determining fair value of financial instruments that

lack quoted prices or recently observed market prices. Those judgements relate to the following areas:

- The choice of valuation techniques.
- The determination of when quoted prices fail to represent fair value (including the judgement of whether markets are active).
- The construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk.
- The judgement of which market parameters are observable.

The critical judgements required when determining fair value of financial instruments that lack quoted prices or recently observed market prices also introduce a high degree of estimation uncertainty.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea's accounting and valuation policies that are adopted by the Board of Directors of Nordea Kredit.

#### Measurement of loans and receivables at fair value due to changes in credit risk

Nordea Kredit's accounting policy for measurement of loans and receivables at fair value due to changes in credit risk is described in section 9 "Loans and receivables at fair value".

Management is required to exercise critical judgements and estimates when calculating changes in credit risk. The credit risk is calculated based on the impairment rules for loans at amortised cost with relevant fair value adjustments. The credit risk is recognised in the balance sheet as loan impairment allowances.

When calculating allowances for individually impaired loans, judgement is exercised to estimate the value of the collateral received and the timing of the sale of the property.

Judgement is exercised in the choice of modelling approaches covering parameters used when calculating the expected losses, such as the expected lifetime, as well as in the assessment of whether the parameters based on historical experience are relevant for estimating future losses. Judgement is exercised in the modelling approach for the coverage of the first loss guarantee as it will depend on the composition of future defaults. The statistical models used to calculate provisions are based on macroeconomic

scenarios, which requires management to exercise judgement when identifying such scenarios and when assigning the likelihood of the different scenarios occurring. Judgement is also exercised in the assessment of to what extent the parameters for the different scenarios, based on historical experience, are relevant for estimating future losses. Adjustments are made to the model calculated provisions if the historical data does not adequately reflect management's view on the expected credit losses. The estimation of post-model adjustments requires management to exercise critical judgements.

### 3. Recognition of operating income and impairment

Interest income and expense are calculated and recognised based on the effective interest rate method or, if considered appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Interest income and expenses from financial instruments are classified as "Net interest income".

Negative interest income is presented as part of interest expenses and negative interest expenses are presented as part of interest income.

#### Net fee and commission income

Nordea Kredit earns commission income from different services provided to customers. The recognition of commission income depends on the purpose for which the fees are received. Fee income is recognised either when or as performance obligations are satisfied.

Fees categorised as loan processing, brokerage, refinancing fees and pay-out fees plus other fee and commission income are recognised at a point of time.

Expenses for bought financial guarantees are amortised over the duration of the instruments. Other commission expenses are transaction based and recognised in the period when the services are received.

#### Value adjustments

Realised and unrealised gains and losses on financial instruments measured at fair value through profit and loss are recognised in the item "Value adjustments".

Realised and unrealised gains and losses derive from:

- interest-bearing securities and other interest-related instruments
- other financial instruments, and
- foreign exchange gains/losses.

#### Other operating income

Net gains from divestments of shares in associated undertakings and net gains on sale of tangible assets as well as other operating income, not related to any other income line, are generally recognised when it is probable that the benefits associated with the transaction will flow to Nordea Kredit and if the significant risks and rewards have been transferred to the buyer (generally when the transactions are finalised).

#### Impairment losses on loans and receivables

Changes in the credit risk on loans and receivables at fair value on the balance sheet are reported as "Impairment losses on loans and receivables". Nordea Kredit's accounting policies for the calculation of changes in the credit risk on loans and receivables at fair value can be found in section 9 "Loans and receivables at fair value".

#### Profit from equity investment in associated undertaking

The profit from equity investment in associated undertaking is defined as the post-acquisition change in Nordea Kredit's share of net assets in the associated undertaking. Nordea Kredit's share of profit is accounted for in "Profit from equity investment in associated undertaking" and placed under equity, "Other reserves". Profits from equity investment in associated undertaking are reported in the income statement post-taxes. Consequently, the tax expense related to these profits is excluded from the income tax expense for Nordea Kredit.

The change in Nordea Kredit's share of the net assets is generally based on reporting from the associated undertaking.

### 4. Recognition and derecognition of financial instruments on the balance sheet

Derivative instruments, quoted securities, foreign exchange spot transactions and other financial instruments are recognised on and derecognised from the balance sheet on the settlement date.

Financial assets are derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset expire or are transferred to another party. The rights to the cash flows normally expire or are transferred when the counterparty has performed by for example repaying a loan to Nordea Kredit, that is, on the settlement date.

Financial liabilities are derecognised from the balance sheet when the liability is extinguished.

For further information, see the section "Repurchase and reverse repurchase agreements" within section 8 "Financial instruments".

### 5. Translation of assets and liabilities denominated in foreign currencies

Unrealised translation differences on unsettled foreign currency monetary assets and liabilities are recognised in the income statement in the item "Value adjustments".

### 6. Determination of fair value of financial instruments

Fair value is defined as the price that at the measurement date would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure financial assets and financial liabilities.



An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The absolute level for liquidity and volume required for a market to be labelled active vary with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the trade frequency is high. For instruments in such a class the liquidity requirements are lower and correspondingly, the age limit for the prices used for establishing fair value is higher. The trade frequency and volume are monitored regularly in order to assess if markets are active or non-active. Nordea Kredit is predominantly using published price quotations to establish fair value for interest-bearing securities and bonds in issue.

If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique. The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.

Valuation techniques can range from simple discounted cash flow analysis to complex option pricing models. Valuation models are designed to apply observable market prices and rates as input whenever possible, but can also make use of unobservable model parameters. The adequacy of the valuation model is assessed by measuring its capability to hit market prices. This is done by comparison of calculated prices to relevant benchmark data, for example quoted prices from an exchange, the counterparty's valuations, price data from consensus services etc.

Nordea Kredit is predominantly using valuation techniques to establish fair value for items disclosed under the following balance sheet items:

- loans and receivables at fair value are described in section 9
- interest-bearing securities (when quoted prices in an active market are not available)
- bonds in issue at fair value.

For financial instruments where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. By data from observable markets, Nordea Kredit considers data that can be collected from generally available external sources and where these data are judged to represent realistic market prices. If non-observable data have a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument. The deferred upfront gains are subsequently released to income if the non-observable data become observable.

The valuation models applied by Nordea Kredit are consistent with accepted economic methodologies for pricing financial instruments and incorporate the factors that market participants consider when setting a price.

## 7. Cash in hand and demand deposits with central banks

Cash in hand and demand deposits with central banks consist of cash and balances with central banks, where the following conditions are fulfilled:

- the central bank is domiciled in Denmark
- the balance is readily available at any time.

## 8. Financial instruments

Each financial instrument has been classified into one of the following categories: amortised cost, fair value through profit and loss or fair value through other comprehensive income. The classification of a financial instrument is dependent on the business model for the portfolio in which the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

Financial assets with cash flows that are not solely payments of principal and interest (SPPI) are measured at fair value through profit and loss. All other assets are classified based on the business model.

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised.

Mortgage loans and the related bonds issued are classified at fair value through profit and loss according to the Executive Order.

### Repurchase and reverse repurchase agreements

Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet.

Cash received under repurchase agreements is recognised on the balance sheet as "Debt to credit institutions and central banks". Cash delivered under reverse repurchase agreements is recognised on the balance sheet as "Receivables from credit institutions and central banks".

### Derivatives

All derivatives are recognised on the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item "Other assets" on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item "Other liabilities" on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Value adjustments".

### Offsetting of financial assets and liabilities

Nordea Kredit offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of default, bankruptcy and insolvency of Nordea Kredit and the counterparties, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously.

## 9. Loans and receivables at fair value

### Recognition and presentation

Financial instruments classified into the category "Loans and receivables at fair value" are measured at fair value. The fair value of loans and receivables is based on the fair value of the underlying bonds issued adjusted for changes in the credit risk on the customers. Changes in the credit risk are measured based on the impairment rules for loans at amortised cost with relevant fair value adjustments.

Loans and receivables at fair value are recognised gross with an offsetting allowance for changes in the credit risk. The allowance account is disclosed net on the face of the balance sheet, but the allowance account is disclosed separately in the notes. Changes in the allowance account are recognised in the income statement and classified as "Impairment losses on loans and receivables".

If the change in the credit risk is regarded as final, it is reported as a realised loss and the carrying amount of the loan and the related allowance for changes in the fair value of credit risk are derecognised. An impairment loss is regarded as final when the collateral is sold in either an agreed sale or a forced sale.

### Changes in credit risk

Nordea Kredit classifies all exposures into stages on an individual basis. Stage 1 includes assets where there has been no significant increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes credit-impaired assets. Nordea Kredit monitors whether there are indicators of exposures being credit impaired (stage 3) by identifying events that have a detrimental impact on the estimated future cash flows (loss event). Nordea Kredit applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in Note 25 Risk and liquidity management. Exposures without individually calculated allowances will be covered by the model-based impairment calculation.

For credit-impaired exposures impairment tested on an individual basis, the carrying amount of the exposure is compared with the sum of the net present value of the collaterals and the first loss guarantee. If the carrying amount is higher, the difference is recognised as an impairment loss.

For credit-impaired exposures with impairment not calculated on an individual basis, the impairment loss is measured using the model described below but based on the fact that the exposures are already credit impaired.

### Model-based calculation of changes in credit risk

For exposures not impairment tested on an individual basis, a statistical model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the change in probability of default (PD) times the loss given default. In stage 3 the expected loss is calculated based on the actual probability of default.

Changes in credit risk are measured based on a distribution of loans and receivables into three groups depending on the stage of credit deterioration:

- Stage 1 includes loans and receivables where management has assessed that there has not been a significant increase in credit risk since initial recognition. The assessment covers the coming 12 months' expected loss.

- Stage 2 includes loans and receivables with a significant increase in credit risk, but which are not credit impaired. The provision is based on the lifetime expected loss.

In addition, customers with forbearance measures and customers with payments more than 30 days past due are also transferred to stage 2, unless already identified as credit impaired (stage 3). There has been a significant increase in credit risk in the following situations:

- An increase in PD of 100% for the expected maturity for the exposure and an increase in the 12-month PD of 0.5% point for exposures when the 12-month PD at initial recognition was less than 1%.
  - An increase in PD of 100% for the expected maturity for the exposure or an increase in the 12-month PD of 2% points for exposures when the 12-month PD at initial recognition was 1% or higher.
- Stage 3 includes credit-impaired loans and receivables.

When calculating the expected loss, the calculation is based on probability-weighted forward-looking information. Nordea Kredit applies three macroeconomic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability-weighted average of the expected losses under each scenario is recognised as a provision.

Besides the model-based impairments, management judgements are made to include impairments related to risks that are not captured by the impairment model.

### Assets held temporarily

At Nordea Kredit the item "Assets held temporarily" consists of repossessed properties.

Assets taken over are measured at the lower of the carrying amount at the time of classification and the fair value less expected costs to sell. Any change in value is presented in the income statement under "Impairment losses on loans and receivables".

## 10. Tangible assets

Tangible assets include IT equipment, furniture and other equipment. Tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of a tangible asset comprises its purchase price as well as any directly attributable costs of bringing the asset to the working condition for its intended use.

Tangible assets also include right-to-use assets (leases). The right-to-use asset is initially measured as the present value of the lease payments.

Tangible assets are depreciated on a straight-line basis over the estimated useful life of the assets. The estimates of the useful life of different assets are reassessed on a yearly basis. The current estimate for tangible assets is 3-5 years.

## 11. Taxes

The item "Tax" in the income statement comprises current and deferred income tax. The tax expense is recognised in the income statement, except to the extent the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity, respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea Kredit intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are generally offset if there is a legally enforceable right to offset current tax assets and current tax liabilities.

## 12. Employee benefits

All forms of consideration given by Nordea Kredit to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within 12 months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

### Short-term benefits

Short-term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea Kredit.

More information can be found in Note 5 "Staff and administrative expenses".

## Post-employment benefits

### Pension plans

All pensions at Nordea Kredit are based on defined contribution arrangements that hold no pension liability for Nordea Kredit. Nordea Kredit also contributes to public pension systems.

## 13. Equity

### Other reserves

Other reserves comprise income and expenses, net after tax effects which are reported in equity through other comprehensive income. These reserves include reserve for Nordea Kredit's share of earnings in associated undertakings under the equity method.

### Retained earnings

Retained earnings comprise undistributed profits from previous years.

## 14. Related-party transactions

Nordea Kredit defines related parties as

- the parent company Nordea Bank Abp
- other undertakings of the Nordea Group
- associated undertakings
- members of the Board of Directors and the Executive Management
- members of the parent company's Board of Directors and Executive Management
- other related parties.

All transactions with related parties are made on an arm's length basis.

### Other undertakings of the Nordea Group

Other undertakings of the Nordea Group consist of subsidiaries of Nordea Bank Abp.

Intragroup transactions between legal entities are performed according to the arm's length principle in compliance with the Danish Financial Supervisory Authority OECD transfer pricing requirements.

### Associated undertakings

Further information on the associated undertakings is found in Note 12 "Investment in associated undertaking".

### Members of the Board of Directors and the Executive Management

For information about compensation, pensions and other transactions with members of the Board of Directors and the Executive Management, see Note 5 "Staff and administrative expenses".

### Other related parties

Other related parties comprise close family members of members of the Board of Directors and the Executive Management. Other related parties also include companies significantly influenced by members of the Board of Directors and the Executive Management of Nordea Kredit as well as companies significantly influenced by close family members of the members of the Board of Directors and the Executive Management.

Information concerning transactions between Nordea Kredit and other related parties is found in Note 22 "Related-party transactions".

## Note 2 Net interest income

DKKm	2022	2021
<b>Interest income</b>		
Receivables from credit institutions and central banks	116	-
Loans and receivables at fair value	4,545	3,583
Administration margins	3,576	3,503
Positive interest expenses	262	210
Other interest income	12	17
<b>Total interest income</b>	<b>8,512</b>	<b>7,313</b>
<b>Interest expenses</b>		
Debt to credit institutions and central banks	-59	-3
Bonds in issue at fair value	-4,522	-3,699
Subordinated debt	-42	-54
Negative interest income	-372	-233
<b>Total interest expenses</b>	<b>-4,995</b>	<b>-3,989</b>
<b>Net interest income</b>	<b>3,517</b>	<b>3,324</b>

## Note 3 Net fee and commission income

DKKm	2022	2021
Loan processing fees	137	143
Brokerage	108	108
Refinancing fees and pay-out fees	330	330
Other fee and commission income	59	48
<b>Fee and commission income</b>	<b>633</b>	<b>629</b>
Guarantee commissions etc payable to Nordea Bank	-1,043	-995
Brokerage payable to Nordea Bank	-102	-99
Other fee and commission expenses	-164	-165
<b>Fee and commission expenses</b>	<b>-1,310</b>	<b>-1,259</b>
<b>Net fee and commission income</b>	<b>-677</b>	<b>-630</b>

## Note 4 Value adjustments

DKKm	2022	2021
Mortgage loans	-41,479	-12,586
Bonds	0	-
Foreign exchange gains/losses	0	0
Interest rate derivatives	-5	-22
Bonds in issue <sup>1</sup>	41,467	12,609
<b>Total</b>	<b>-17</b>	<b>1</b>

<sup>1</sup> Including value adjustments on own positions.

## Note 5 Staff and administrative expenses

DKKm	2022	2021
Salaries and remuneration (specification below)	-89	-89
Pension costs (specification below)	-9	-9
Social insurance contributions	-20	-18
Administrative expenses	-1,305	-1,251
<b>Total</b>	<b>-1,424</b>	<b>-1,367</b>
Average number of employees	116	118

DKKm	2022	2021
<b>Salaries and remuneration<sup>1</sup></b>		
To the Board of Directors:		
- Board and Audit Committee fee	0	0
To the Executive Management:		
- Fixed salary and benefits	-4	-4
- Performance-related compensation <sup>2</sup>	-2	-1
To the employees that have significant influence on Nordea Kredit's risk profile:		
- Fixed salary and benefits	-4	-4
- Performance-related compensation	-	-
<b>Total</b>	<b>-11</b>	<b>-10</b>
To other employees	-78	-79
<b>Total</b>	<b>-89</b>	<b>-89</b>

<sup>1</sup> Nordea Kredit's remuneration policy including the remuneration policy for the Board of Directors, the Executive Management and employees that have significant influence on Nordea Kredit's risk profile is available in Danish on [www.nordea.dk/privat/produkter/boliglaan/nordea-kredit.html#tab=Lonforhold](http://www.nordea.dk/privat/produkter/boliglaan/nordea-kredit.html#tab=Lonforhold).

<sup>2</sup> Performance-related compensation consists of the Nordea Incentive Plan (NIP).

DKKm	2022	2021
<b>Pension costs</b>		
Defined contribution plans:		
- Executive Management	0	0
- Employees that have significant influence on Nordea Kredit's risk profile	-1	-1
- Other employees	-8	-8
<b>Total</b>	<b>-9</b>	<b>-9</b>
<b>Compensation including pension</b>		
Board of Directors <sup>1</sup>	0	0
Executive Management <sup>2</sup>	-7	-6
Employees that have significant influence on Nordea Kredit's risk profile <sup>3</sup>	-5	-5
<b>Total</b>	<b>-12</b>	<b>-11</b>

<sup>1</sup> The Board of Directors included seven individuals (7) at the end of the year.

<sup>2</sup> The Executive Management included two individuals (2) at the end of the year.

<sup>3</sup> Other employees that had significant influence on Nordea Kredit's risk profile included seven individuals (6) at the end of the year.

The Nordea Incentive Programme (NIP 2022) for the executive managers of Nordea Kredit has a one-year performance period and includes pre-determined performance goals and targets at Group, business area/Group function (BA/GF) and individual level. The impact on long-term results was considered when determining the targets.

Performance goals at Group level included financial goals measuring return on equity, income and cost/income ratio as well as non-financial goals measuring employee engagement and customer satisfaction. BA/GF goals included BA/GF-specific financial and non-financial goals. At individual level, performance was measured in relation to the individually agreed goals and targets including risk, compliance and conduct. The weighting of Group, BA/ GF and individual goals is determined individually. The overall ambition for 2022 was to deliver on Nordea's strategic priorities. Any awards were determined based on achievement in relation to the agreed goals and targets following appropriate risk adjustments.

The outcome from NIP 2022 will be paid in equal portions of cash and Nordea shares, and will be subject to forfeiture clauses. 40% of the confirmed outcome of the NIP 2022 will be delivered in equal portions of cash and Nordea shares in 2023. The remaining 60% of NIP 2022 outcome is deferred for annual pro rata delivery over a five-year period, meaning that a significant portion of the outcome remains to be delivered at the time of the award. No dividends are paid during the deferral period. Nordea shares will be subject to 12 months' retention when delivered to the executive managers. The maximum outcome of the NIP 2022 was 70% of annual fixed base salary (but the actual outcome can never exceed 50% of fixed remuneration).

The estimated expense for the 2022 NIP programme is recognised in the income statement for 2022.

## Note 6 Impairment losses on loans and receivables

DKKm	2022	2021
<b>Stage 1</b>		
New and increased impairment charges	-9	-13
Reversals of impairment charges	0	12
Impairment losses on loans and receivables, non-credit impaired		
<b>Stage 2</b>		
New and increased impairment charges	-84	-54
Reversals of impairment charges	73	100
Impairment losses on loans and receivables, non-credit impaired		
<b>Stage 3, credit impaired</b>		
Realised loan losses	-26	-86
Decrease in impairment charges to cover realised loan losses	21	81
Recoveries on previous realised loan losses	4	4
New and increased impairment charges	-137	-98
Reversals of impairment charges	131	137
Impairment losses on loans and receivables, credit impaired		
<b>Impairment losses on loans and receivables</b>		

## Note 7 Profit from equity investment in associated undertaking

DKKm	2022	2021
Profit from equity investment in associated undertaking	1	2
<b>Total</b>	<b>1</b>	<b>2</b>



## Note 8 Tax

### Income tax expense

DKKm	2022	2021
Current tax	-304	-311
Deferred tax	2	-1
Adjustment relating to prior years	0	0
<b>Total</b>	<b>-302</b>	<b>-312</b>

Profit before tax	1,377	1,419
Tax calculated at a tax rate of 22%	303	-312
Income from associated undertaking	-1	1
Non-deductible expenses	-	-1
Adjustment related to prior years	0	0
<b>Tax charge</b>	<b>302</b>	<b>-312</b>

Average effective tax rate	22%	22%
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### Deferred tax

	Deferred tax assets		Deferred tax liabilities	
DKKm	2022	2021	2022	2021
Deferred tax related to:				
Provisions	3	1	-	-
<b>Provisions</b>	<b>3</b>	<b>1</b>	<b>-</b>	<b>-</b>

DKKm	2022	2021
Movements in deferred tax assets/liabilities, net are as follows:		
Amount at beginning of year (net)	1	2
Deferred tax in the income statement	2	-1
<b>Amount at end of year (net)</b>	<b>3</b>	<b>1</b>

<b>Current tax assets</b>	<b>7</b>	<b>2</b>
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Nordea Kredit is jointly taxed with the Danish companies and branches of Nordea. The companies and branches included in the joint taxation have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends and interest. At 31 December 2022, the net taxes receivable from the Danish Tax Agency by the companies and branches included in the joint taxation amounted to DKK 170m (net taxes receivable DKK 204m). Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends etc may entail that the companies' assets/liabilities will increase. The Danish Nordea entities as a whole are not liable to others.

In terms of payroll tax and VAT, Nordea Kredit is registered jointly with Nordea Danmark, filial af Nordea Bank Abp, Finland and with the majority of the Danish subsidiary undertakings of Nordea and these companies are jointly and severally liable for such taxes.

## Note 9 Commitments with the Board of Directors and the Executive Management

Loans for the members of Nordea Kredit's Executive Management and Board of Directors and related parties:

DKKm	31 Dec 2022	31 Dec 2021
<b>Loans etc</b>		
Executive Management	-	-
Board of Directors	24	26

Interest income on these loans to members of Nordea Kredit's Executive Management and Board of Directors amounted to DKK 0.4m (DKK 0.3m) at end 2022.

Loans to members of Nordea Kredit's Executive Management and Board of Directors consist of mortgage loans on terms based on market conditions. At the end of 2022 interest on the mortgage loans was payable at the rate of 0.2%-3.2% of which the administration fee was 0.4%-1.2% following normal customer terms. Loans to related parties of the Executive Management and the Board of Directors are granted on the same terms.

Loans etc to members of the Executive Management and the Board of Directors of the parent company Nordea Bank consist of mortgage loans amounting to DKK 17m (DKK 14m) with interest rates of 0.2%-0.6% of which the administration fee was 0.6%-0.9% following normal customer terms.

Nordea Kredit has not pledged any assets or provided other collateral or committed to contingent liabilities on behalf of any member of the Executive Management and the Board of Directors and related parties.

## Note 10 Receivables from credit institutions and central banks

DKKm	31 Dec 2022	31 Dec 2021
Receivables from credit institutions	39,264	48,523
<b>Total<sup>1</sup></b>	<b>39,264</b>	<b>48,523</b>
Of which purchase and resale transactions	37,744	41,324

<sup>1</sup> Carrying amount is a fair approximation to fair value.

## Note 11 Loans and receivables at fair value

DKKm	31 Dec 2022	31 Dec 2021
<b>Mortgage loans, nominal value</b>		
Value at beginning of year	436,626	409,893
New loans (gross new lending)	93,379	104,796
Foreign exchange revaluations	0	-2
Redemptions and prepayments	-86,943	-68,633
Net new lending for the year	6,436	36,161
Scheduled principal payments	-8,785	-9,428
<b>Mortgage loan portfolio at end of year</b>	<b>434,277</b>	<b>436,626</b>
<b>Mortgage loans, fair value</b>		
Nominal value	434,277	436,626
Adjustment for interest rate risk etc	-47,989	-3,952
Adjustment for credit risk (see below)	-520	-511
Mortgage loan portfolio	385,768	432,164
Mortgage arrears (see below)	119	116
<b>Loans and receivables at fair value</b>	<b>385,887</b>	<b>432,280</b>

DKKm	Stage 1 <sup>1</sup>	Stage 2	Stage 3	Total
<b>Balance at 1 January 2022</b>	61	211	239	511
Changes due to origination	15	136	86	237
Transfer between stages	0	0	-18	-18
Changes due to changes in credit risk (net)	3	-17	-38	-52
Changes due to repayments	-9	-106	-24	-139
Write-off through decrease in allowance account	-	-	-18	-18
<b>Balance at 31 December 2022</b>	<b>70</b>	<b>223</b>	<b>228</b>	<b>520</b>

DKKm	Stage 1 <sup>1</sup>	Stage 2	Stage 3	Total
<b>Balance at 1 January 2021</b>	60	257	354	671
Changes due to origination	0	11	9	20
Transfer between stages	-	-12	-9	-21
Changes due to changes in credit risk (net)	1	-12	19	8
Changes due to repayments	0	-33	-59	-91
Write-off through decrease in allowance account	-	-	-76	-76
<b>Balance at 31 December 2021</b>	<b>61</b>	<b>211</b>	<b>239</b>	<b>511</b>

<sup>1</sup> Stage 1 includes loans and receivables where management has assessed that there has not been a significant increase in credit risk since initial recognition.

Individually assessed loans and receivables at fair value in stage 3 with no adjustment for credit risk due to full coverage from the value of the mortgaged property and the first loss guarantee from Nordea Bank amount to DKK 1bn (DKK 2bn).

## Note 11 Loans and receivables at fair value, continued

DKKm	31 Dec 2022	31 Dec 2021
<b>Mortgage arrears</b>		
Mortgage arrears before provisions	104	90
Execution levied against debtors' properties before provisions	15	26
<b>Total</b>	<b>119</b>	<b>116</b>
Mortgage arrears mid-January following year	32	30

DKKm	31 Dec 2022	31 Dec 2021
<b>Age distribution of mortgage loans in arrears before provisions</b>		
More than 3 months and up to 6 months	374	413
More than 6 months and up to 1 year	136	175
More than 1 year	235	150
<b>Total</b>	<b>745</b>	<b>738</b>

%	31 Dec 2022	31 Dec 2021
<b>Mortgage loan portfolio by property category (nominal value)</b>		
Owner-occupied dwellings	66	66
Holiday homes	4	4
Subsidised housing	0	0
Private rental property	11	11
Commercial property	1	1
Office and retail property	7	7
Agricultural property etc	8	9
Property for social, cultural and educational purposes	0	0
Other property	2	2
<b>Total</b>	<b>100</b>	<b>100</b>

For additional information on credit risks see Note 25.

## Note 12 Investment in associated undertaking

DKKkM	31 Dec 2022	31 Dec 2021
Acquisition value at beginning of year	1	0
Purchase/sales during the year	-	1
<b>Acquisition value at end of year</b>	<b>1</b>	<b>1</b>
Revaluation at beginning of year	22	20
Revaluation during the year	1	2
<b>Total revaluation at end of year</b>		
<b>Total</b>	<b>24</b>	<b>22</b>

Financial information as of the latest public financial statements:

Reporting date	Company name	Domicile	Business activity	Voting power of holding (%)	Equity (DKKkM)	Net profit for the year (DKKkM)
31 Dec 2021	e-nettet A/S	Copenhagen	Development of software solutions for the property industry	19	122	13
31 Dec 2020	e-nettet A/S	Copenhagen	Development of software solutions for the property industry	19	109	-1

## Note 13 Assets held temporarily

DKKkM	31 Dec 2022	31 Dec 2021
Reposessed properties	3	1
<b>Total</b>	<b>3</b>	

## Note 14 Other assets

DKKkM	31 Dec 2022	31 Dec 2021
Interest receivable	14	6
Derivatives	55	67
Other assets <sup>1</sup>	242	104
<b>Total</b>	<b>311</b>	<b>177</b>

<sup>1</sup> Other assets include short-term receivables related to remortgaging activity.

## Note 15 Debt to credit institutions and central banks

DKKkM	31 Dec 2022	31 Dec 2021
Debt to credit institutions	9,503	14,260
<b>Total<sup>1</sup></b>	<b>9,503</b>	<b>14,260</b>
Of which sale and repurchase transactions	3,475	6,154
Of which senior non-preferred loan <sup>2</sup>	3,750	2,250

<sup>1</sup> Carrying amount is a fair approximation to fair value.

<sup>2</sup> For additional information see note 20.

## Note 16 Bonds in issue at fair value

DKKm	31 Dec 2022	31 Dec 2021
Bonds in issue at beginning of year (nominal value)	456,170	438,794
Bonds issued during the year	138,474	163,494
Exchange differences	0	-2
Scheduled payments and notified prepayments	-53,799	-44,320
Redemptions and other prepayments	-95,713	-101,795
<b>Bonds in issue at end of year at nominal value</b>	<b>445,133</b>	<b>456,170</b>
Adjustment at fair value	-48,407	-3,909
Own bonds at fair value offset	-6,989	-11,027
<b>Bonds in issue at end of year at fair value</b>	<b>389,737</b>	<b>441,234</b>
Of which pre-issued (nominal value)	3,635	6,180
Drawn for redemption at next payment date (nominal value)	6,078	12,587

### Changes in fair value of financial liabilities attributable to changes in credit risk

The financial liabilities designated at fair value through profit and loss are bonds issued, DKK 390bn (DKK 441bn). For the bonds issued a change in the liability's credit risk and price will have a corresponding effect on the value of the loan.

The fair value of bonds issued decreased in 2022 by approximately DKK 0.3bn (decrease of approximately DKK 0.9bn) due to changes in own credit risk. The cumulative change since designation was a decrease of approximately DKK 4.3bn (decrease of approximately DKK 4.0bn). The calculation method of the estimated fair value changes attributable to changes in market conditions is based on relevant benchmark interest rates, which are the average yield on Danish and German government bonds and for adjustable rates, the swap rate. The calculation method is subject to uncertainty related to a number of assumptions and estimates.

## Note 17 Other liabilities

DKKm	31 Dec 2022	31 Dec 2021
Interest payable on bonds in issue	1,688	1,366
Other interest and commissions payable	230	178
Other	508	100
<b>Total</b>	<b>2,426</b>	<b>1,644</b>

## Note 18 Subordinated debt

DKKm	31 Dec 2022	31 Dec 2021
Other subordinated debt	1,550	1,550
<b>Total</b>	<b>1,550</b>	<b>1,550</b>
Interest	-42	-54
Cost of increase in and repayments of subordinated debt	-	-
<b>Total</b>	<b>-42</b>	<b>-54</b>

At 31 December 2022 Nordea Kredit had the following subordinated loan:

Year of issue/ maturity	Call date	Nominal value DKKm	Carrying amount DKKm	Interest rate (coupon)
2020/2030	31 March 2025	1,550	1,550	Cibor 3M + interest rate premium 2.36%

Subordinated debt is subordinated to other liabilities.

Pursuant to the Danish Financial Business Act repayment of subordinated debt may neither take place at the initiative of the lender nor without the approval of the Danish Financial Supervisory Authority.



## Note 19 Capital adequacy

### Summary of items included in own funds

	31 Dec 2022	31 Dec 2021
<b>DKKm</b>		
<b>Calculation of own funds</b>		
Equity	22,280	22,311
Proposed/actual dividend	-1,075	-1,107
<b>Common equity tier 1 capital before regulatory adjustments</b>	<b>21,206</b>	<b>21,205</b>
IRB provisions shortfall (-)	-275	-360
Other items, net	-303	-319
<b>Total regulatory adjustments to common equity tier 1 capital</b>	<b>-578</b>	<b>-679</b>
Common equity tier 1 capital (net after deduction)	20,628	20,526
<b>Tier 1 capital (net after deduction)</b>	<b>20,628</b>	<b>20,526</b>
Tier 2 capital before regulatory adjustments	1,550	1,550
<b>Total regulatory adjustments to tier 2 capital</b>	<b>-</b>	<b>-</b>
Tier 2 capital	1,550	1,550
<b>Own funds (net after deduction)</b>	<b>22,178</b>	<b>22,076</b>

### Minimum capital requirement and risk exposure amount (REA)

	31 Dec 2022	31 Dec 2022	31 Dec 2021	31 Dec 2021
	Minimum capital requirement	REA	Minimum capital requirement	REA
<b>Minimum capital requirement and risk exposure amount (REA)</b>				
<b>Credit risk</b>	<b>5,471</b>	<b>68,387</b>	<b>6,314</b>	<b>78,930</b>
- of which counterparty credit risk	77	957	90	1,125
IRB	4,867	60,832	5,536	69,207
- corporate	1,828	22,842	2,031	25,394
- <i>advanced</i>	<i>1,828</i>	<i>22,842</i>	<i>2,031</i>	<i>25,394</i>
- retail	3,008	37,602	3,497	43,710
- <i>secured by immovable property collateral</i>	<i>2,978</i>	<i>37,226</i>	<i>3,401</i>	<i>42,513</i>
- <i>other retail</i>	<i>30</i>	<i>376</i>	<i>96</i>	<i>1,197</i>
- other	31	388	8	103
Standardised	604	7,555	778	9,723
- central governments or central banks	0	7	0	4
- institutions	596	7,451	768	9,604
- corporate	-	-	0	0
- secured by mortgages on immovable properties	6	73	8	93
- equity	2	24	2	22
<b>Market risk</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operational risk</b>	<b>347</b>	<b>4,341</b>	<b>332</b>	<b>4,148</b>
Standardised	347	4,341	332	4,148
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	2	23	2	21
<b>Total</b>	<b>5,820</b>	<b>72,751</b>	<b>6,648</b>	<b>83,099</b>

## Note 19 Capital adequacy, continued

### Minimum capital requirement, pillar 2 requirement and capital buffers

	Minimum capital requirement	Pillar 2 requirement	Capital buffers				Capital buffers total	Total
			CCoB	CCyB	O-SII	SRB		
<b>31 Dec 2022 (%)</b>								
Common equity tier 1 capital	4.5	1.2	2.5	2.0	1.5	-	6.0	11.7
Tier 1 capital	6.0	1.6	2.5	2.0	1.5	-	6.0	13.6
Own funds	8.0	2.2	2.5	2.0	1.5	-	6.0	16.1
<b>31 Dec 2022 (DKKm)</b>								
Common equity tier 1 capital	3,274	884	1,819	1,447	1,091	-	4,357	8,515
Tier 1 capital	4,365	1,179	1,819	1,447	1,091	-	4,357	9,901
Own funds	5,820	1,572	1,819	1,447	1,091	-	4,357	11,749

<sup>1</sup> Only the maximum of the SRB and the SII is used in the calculation of the total capital buffers.

### Common equity tier 1 available to meet capital buffers

	31 Dec 2022	31 Dec 2021
<b>Percentage points of REA</b>		
Common equity tier 1 capital	22.4	18.6

	31 Dec 2022	31 Dec 2021
<b>Capital ratios (%)</b>		
Common equity tier 1 capital ratio	28.4	24.7
Tier 1 capital ratio	28.4	24.7
Total capital ratio	30.5	26.6

	31 Dec 2022	31 Dec 2021
<b>Leverage ratio<sup>1</sup></b>		
Tier 1 capital, DKKm	20,628	20,526
Leverage ratio exposure, DKKm	425,831	483,979
Leverage ratio, %	4.8	4.2

<sup>1</sup> Including profit for the year.

## Note 19 Capital adequacy, continued

### Credit risk exposures for which internal models are used, split by rating/risk grade

31 Dec 2022	On-balance sheet exposure, DKKm	Off-balance sheet exposure, DKKm	Exposure value (EAD), DKKm <sup>1</sup>	Of which EAD for off-balance sheet, DKKm	Exposure- weighted average risk weight
Corporate, advanced IRB:	110,418	567	89,239	348	26
<i>of which</i>					
- rating grades 6	20,065	105	20,172	74	7
- rating grades 5	37,851	117	33,958	85	25
- rating grades 4	43,506	251	29,220	127	34
- rating grades 3	5,186	34	3,499	18	37
- rating grades 2	1,464	0	965	0	56
- rating grades 1	796	-	465	-	74
- unrated	370	60	223	44	75
- defaulted	1,180	-	737	-	112
Institutions, foundation IRB	-	-	-	-	-
Retail, of which secured by real estate:	263,563	1,127	264,088	525	14
<i>of which</i>					
- scoring grades A	213,341	652	213,649	308	12
- scoring grades B	29,962	192	30,065	103	14
- scoring grades C	14,241	129	14,303	62	19
- scoring grades D	2,043	143	2,088	46	39
- scoring grades E	1,541	8	1,546	5	58
- scoring grades F	1,364	2	1,365	1	103
- not scored	3	1	4	0	92
- defaulted	1,068	-	1,068	-	163
Retail, of which other retail:	11,663	-	2,211	-	17
<i>of which</i>					
- scoring grades A	1,754	-	1,753	-	11
- scoring grades B	502	-	262	-	20
- scoring grades C	5,751	-	124	-	38
- scoring grades D	1,607	-	18	-	54
- scoring grades E	858	-	25	-	63
- scoring grades F	669	-	16	-	93
- not scored	1	-	-	-	-
- defaulted	521	-	13	-	364
Other non-credit obligation assets:	388	-	388	-	100

Nordea Kredit does not have the following IRB exposure classes: equity exposures, central governments and central banks, qualifying revolving retail.

<sup>1</sup> Includes EAD for on-balance sheet, off-balance sheet, derivatives and securities financing.

## Note 20 Debt buffer

### Composition of instruments that are applicable for meeting the debt buffer requirement

Instrument, DKKm	Type	Curr.	31 Dec 2022	31 Dec 2021	Issued	Maturity	Call
Excess CET1 capital <sup>1</sup>	CET1 capital	DKK	7,853	6,007	-	-	-
10Y subordinated unsecured loan, provided by Nordea Bank	Tier 2 capital	DKK	1,550	1,550	31/03/2020	31/03/2030	31/03/2025
5Y senior non-preferred loan, provided by Nordea Bank	Unsecured senior debt	DKK	2,250	2,250	20/08/2021	20/08/2026	-
5Y senior non-preferred loan, provided by Nordea Bank	Unsecured senior debt	DKK	1,500	-	31/03/2022	31/03/2027	-
<b>Total</b>			<b>13,153</b>	<b>9,807</b>			

<sup>1</sup> Excess CET1 capital is determined in accordance with section 268d of the Danish Financial Business Act, no 406 of 29 March 2022.

### Debt buffer requirement

DKKm	31 Dec 2022	31 Dec 2021
Debt buffer requirement	7,718	8,646

## Note 21 Maturity analysis for selected assets and liabilities

### Remaining maturity

31 Dec 2022, DKKm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Receivables from credit institutions and central banks	1,521	37,744	-	-	-	39,264
Loans and receivables at fair value	104	2,414	7,401	45,482	330,485	385,887
Debt to credit institutions and central banks	2,278	3,475	-	3,750	-	9,503
Bonds in issue at fair value	-	5,831	55,964	183,055	144,887	389,737

31 Dec 2021, DKKm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Receivables from credit institutions and central banks	7,199	41,324	-	-	-	48,523
Loans and receivables at fair value	90	2,638	8,121	48,172	373,259	432,280
Debt to credit institutions and central banks	5,857	6,154	-	2,250	-	14,260
Bonds in issue at fair value	-	9,793	71,110	154,602	205,729	441,234

Mortgage loans are match-funded and are undertaken on the basis of the statutory balance principle. The majority of these loans are long-term loans and are therefore categorised as >5 years in the maturity analysis, while the bonds issued are allocated through the maturity distribution in comparison to the refinancing period.

## Note 22 Related-party transactions

The information below is presented from a Nordea Kredit perspective, meaning that the information shows the effect from related-party transactions on the Nordea Kredit figures.

DKKm	2022	2021
<b>Operating items</b>		
Interest income:		
Receivables from credit institutions and central banks	116	-
Positive interest expenses	39	50
Interest expenses:		
Interest on debt to credit institutions	-59	-3
Interest on subordinated debt	-42	-54
Negative interest income	-149	-233
Fee and commission income:		
Other fee and commission income	1	4
Fee and commission expenses:		
Guarantee commissions etc	-1,043	-995
Brokerage	-102	-99
Value adjustments:		
Interest rate derivatives	-5	-22
Other	4	7
Staff and administrative expenses:		
IT	-42	-37
Other administrative expenses	-1,168	-1,124
Rent expenses	-11	-10
Internal audit expenses	-3	-3
Profit from equity investment in associated undertaking	1	2
<b>Assets</b>		
Receivables from credit institutions	39,264	48,523
Interest receivable from credit institutions	0	-
Investment in equity associated undertaking	24	22
Other assets	55	67
- of which derivatives	55	67
<b>Debt</b>		
Debt to credit institutions	9,503	14,260
Bonds in issue at fair value	20,020	22,864
Interest payable	39	37
IT expenses payable	11	10
Other liabilities	6	30
Guarantee commissions payable	191	178
Subordinated debt	1,550	1,550
<b>Guarantees</b>		
Nordea Bank provides on an ongoing basis guarantees to cover the first loss of the principal of mortgage loans	118,719	119,214
Nordea Bank has provided guarantees relating to registration with the Land Registry, loans disbursed ahead of building start as well as other statutory guarantees	8,402	10,146

The main part of the transactions is between Nordea Kredit and Nordea Bank.

The mortgage loans originated by Nordea Kredit are disbursed through Nordea Bank.

Nordea Bank acted as an intermediary for a number of securities and financial instruments transactions during the year. Intragroup transactions are provided on market terms.

A Liquidity Transfer and Support Agreement has been signed between Nordea Bank Abp and the specialised mortgage lending entities being Nordea Kredit Realkreditaktieselskab, Nordea Eiendomskreditt AS, Nordea Hypotek AB and Nordea Mortgage Bank Plc. The agreement ensures that Nordea Kredit has sufficient cash resources to comply with the liquidity coverage ratio (LCR) requirement on an ongoing basis and to meet its payment obligations in respect of outstanding covered bonds in a timely manner. Nordea Kredit is thereby also required to provide liquidity support to the other entities in the agreement, however only to the extent that it would not in any way result in Nordea Kredit breaching any of its own central obligations.

As part of the normal business other entities in the Nordea Group on an ongoing basis held a portfolio of bonds issued by Nordea Kredit.

In 2022 there were no unusual related-party transactions.

## Note 22 Related-party transactions, continued

### Compensation and loans to Board of Directors and Executive Management

Compensation to the Board of Directors and the Executive Management is specified in Note 5.

Loans to the Board of Directors and the Executive Management and related parties are specified in Note 9.

### Related parties

Related parties are the parent company, other Nordea companies, associated undertakings and other related parties. Other related parties are companies significantly controlled by the Board of Directors and the Executive Management of Nordea Kredit as well as companies significantly controlled by related parties to the Board of Directors and the Executive Management.

## Note 23 The Danish Financial Supervisory Authority's ratio system

	2022	2021	2020	2019	2018
Total capital ratio	30.5	26.6	29.6	27.0	26.5
Tier 1 capital ratio	28.4	24.7	25.0	24.4	23.9
Pre-tax return on equity, %	6.2	6.3	7.3	10.6	9.2
Post-tax return on equity, %	4.8	4.9	5.7	8.2	7.2
Income/cost ratio	1.9	2.1	2.5	8.6	5.1
Foreign exchange exposure as % of tier 1 capital	1.3	1.1	1.6	1.6	1.1
Loans/equity ratio	17.3	19.4	18.6	17.9	17.7
Lending growth for the year, %	-0.5	6.6	2.7	3.0	1.0
Impairment ratio for the year	0.0	0.0	0.1	0.0	0.1
Return on assets, %	0.2	0.2	0.3	0.4	0.4

The key figures have been computed in accordance with the Danish Financial Supervisory Authority's definitions, see the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc.



## Note 24 Series financial statements

DKKm	Note	Capital centre 2	Capital centre 1 (General Capital Centre)	Total
<b>Income statement for 2022</b>				
Income from lending		3,579	9	3,588
Interest, net		-79	-3	-81
Administrative expenses, net		-1,991	-111	-2,102
Provisions for loan losses		6	-33	-27
Tax		-334	31	-302
<b>Total</b>		<b>1,181</b>	<b>-107</b>	<b>1,075</b>

### Balance sheet, 31 Dec 2022

<b>Assets</b>				
Mortgage loans		384,858	1,042	385,900
Other assets		48,256	1,873	50,129
<b>Total assets</b>	<b>1</b>	<b>433,114</b>	<b>2,915</b>	<b>436,029</b>
<b>Liabilities and equity</b>				
Bonds in issue	2	396,809	1,604	398,413
Other liabilities		15,234	101	15,335
Equity	3	21,070	1,210	22,280
<b>Total liabilities and equity</b>		<b>433,114</b>	<b>2,915</b>	<b>436,029</b>

### Note 1 Balance sheet, series financial statements

Balance sheet total, Nordea Kredit's annual financial statements	425,506
Own bonds, not offset in series financial statements	6,989
Accrued interest	3,535
<b>Balance sheet total, series financial statements</b>	<b>436,029</b>

### Note 2 Bonds in issue, series financial statements

Bonds in issue, Nordea Kredit's annual financial statements	389,737
Own bonds, not offset in series financial statements	6,989
Deferred income	1,688
<b>Bonds in issue, series financial statements</b>	<b>398,413</b>

### Note 3 Equity

Movements in capital, net	-	-	-
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### Background to series financial statements

Pursuant to the Danish Financial Supervisory Authority's Executive Order no 872 of 20 November 1995 on series financial statements in mortgage credit institutions, special series financial statements must be prepared for series with series reserve funds.

The series financial statements have been prepared on the basis of Nordea Kredit Realkreditaktieselskab's annual report for 2022.

Complete series financial statements for the individual series are available from Nordea Kredit.

## Note 25 Risk and liquidity management

Maintaining risk awareness in the organisation is engrained in Nordea Kredit's business strategies. Nordea Kredit has defined clear risk, liquidity and capital management frameworks, including policies and instructions for different risk types, capital adequacy and capital structure.

### Management principles and control

The Board of Directors of Nordea Kredit has the responsibility for limiting and monitoring risk exposures as well as for approving the setting of target capital ratios and the individual solvency need and deciding on the risk appetite. Risk is measured and reported according to common principles and policies approved by the Board of Directors of Nordea Kredit.

In accordance with the Danish Financial Business Act, the Board of Directors has established a Board Risk Committee (BRIC). BRIC assists the Board of Directors in fulfilling its oversight responsibilities concerning the management and control of risk, risk frameworks as well as controls and processes associated with Nordea Kredit's operations. Furthermore, BRIC assesses the identified risk takers in regards to remuneration.

The Executive Management has the responsibility for ensuring that the risk strategy and risk management decided by the Board of Directors are implemented, that the necessary practical measures are taken and that risks are monitored and limited.

In accordance with the Danish Executive Order on Management and Control of Banks etc, Nordea Kredit has appointed a Chief Risk Officer (CRO). The CRO is appointed by the Board of Directors of Nordea Kredit and functionally reports to the Executive Management of Nordea Kredit. The CRO is the overall manager with specific responsibility for the risk management function at Nordea Kredit – including the responsibility for ensuring that an overall risk assessment is provided, ensuring coordination of risk control activities and ensuring adequate risk management practice within Nordea Kredit. The CRO independently reports directly to the Board of Directors of Nordea Kredit.

The Charter for the CRO of Nordea Kredit defines the role, responsibilities, tasks and mandate of the CRO and forms part of Nordea Kredit's risk management framework. The CRO mainly operates through established functions for risk management at Nordea such as Group Risk, Group Credit Management and Group Finance.

It is the responsibility of the CRO to ensure that the overall risk at Nordea Kredit is conducted adequately. The CRO must provide a complete view of the whole range of risks at Nordea Kredit to the relevant governing bodies and ensure that all risks at Nordea Kredit are monitored.

In accordance with the Danish Executive Order on Management and Control of Banks etc, Nordea Kredit has appointed a Chief Compliance Officer (CCO). The CCO is appointed by the Executive Management of Nordea Kredit and functionally reports to the Executive Management of Nordea Kredit. The CCO has the overall functional responsibility for the compliance function at Nordea Kredit – including the responsibility for monitoring compliance which is based on collecting information and providing independent assessments of the compliance risks. Furthermore, the compliance function advises and supports the first line of defence on ways to effectively and efficiently manage compliance obligations. The CCO independently reports directly to the Executive Management, BRIC and the Board of Directors of Nordea Kredit on a quarterly basis.

The Charter for the CCO of Nordea Kredit defines the role and responsibilities of the CCO and forms part of Nordea Kredit's internal control framework. The Nordea Kredit compliance function utilises the functional framework within Group Compliance. This means that the methodology and standard processes applied by Group Compliance are – to the extent possible – also applied by Nordea Kredit.

### Risk management

Nordea Kredit is exposed to credit risk on borrowers as well as operational risk because of Nordea Kredit's activities. Furthermore, Nordea Kredit is exposed to liquidity risk and market risk in the form of interest rate risk and modest currency risk related to its mortgage loans and the investment of capital.

The reporting of risk is conducted on a daily basis for liquidity risk and market risk and on a quarterly basis for credit risk and operational risk. Reporting on the risk profile, the risk appetite, capital adequacy – including the individual solvency need (ISN) - and liquidity adequacy is presented to the Board of Directors, BRIC and the Executive Management on a quarterly basis.

Additional information on risk and capital management is presented in the Capital and Risk Management Report 2022 in accordance with the CRR, which is based on the Basel III framework issued by the Basel Committee on Banking Supervision. The report is available on [www.nordea.com/en/investors/capital-and-risk-reports-pillar-3](http://www.nordea.com/en/investors/capital-and-risk-reports-pillar-3).

## Note 25 Risk and liquidity management, continued

### Credit risk management

The credit approval process follows directives and guidelines for Nordea. Within the powers to act granted by the Board of Directors of Nordea Kredit, internal credit risk limits are approved by credit decision-making bodies on different levels in the Nordea organisation constituting the maximum risk appetite on the customer in question. The risk categorisation and the exposure of the customer determine at what level the decision will be made. The customer responsible units take individual credit decisions with a primary focus on the customer's creditworthiness based on mandates and instructions from Nordea Kredit. Furthermore, individual credit decisions for mortgage loans with a primary focus on the property are made within Nordea Kredit.

The assessment and monitoring of credit risks lies with the customer responsible unit. Customers are risk categorised by a rating or score in accordance with Nordea's rating and scoring guidelines. The rating and scoring of customers aims to predict their probability of default and to consequently rank them according to their respective default risk. Rating and scoring of customers are used as integrated parts of the credit risk management and decision-making process. Representatives from the credit organisation approve the rating independently.

### Credit risk

Credit risk is defined as the potential for loss due to the inability of Nordea Kredit's customers to repay their loans. If the customer is unable to repay the loan, Nordea Kredit's credit risk depends on the value of the property received as collateral and coverage by the first loss guarantee issued by Nordea Bank. Nordea Kredit's credit risk is therefore affected by the general price trends on the property market.

Nordea Kredit's maximum exposure to credit risk consists of the following balance sheet line items:

### Maximum exposure to credit risk

	31 Dec 2022	31 Dec 2021
DKK m		
Demand deposits with central banks	0	0
Receivables from credit institutions and central banks <sup>1</sup>	39,264	48,523
Loans and receivables at fair value	385,887	432,280
Loans and receivables at amortised cost	1	1
Other asset items	331	189
Guarantees etc	0	0
Loan commitments	3,544	2,721
<b>Total</b>	<b>429,027</b>	<b>483,715</b>

<sup>1</sup> The maximum credit risk on receivables from credit institutions is secured by own securities in connection with purchase and resale transactions.

### Concentration risk

Nordea Kredit has a well-diversified lending portfolio in respect of single customer groups and industry segments. The diversification of concentration risks is stipulated in Nordea Kredit's Risk Appetite framework and limits adverse concentration risk developments.

### Collateral

Mortgage loans are collateralised by the mortgaged properties in accordance with Danish mortgage legislation. The credit risk is therefore significantly reduced by the value of the mortgaged property. The value of the mortgaged properties is monitored on a quarterly basis and properties are continuously up for review of the valuation based on criteria decided on a quarterly basis.

To further reduce the credit risk of Nordea Kredit and to align incentives, loss guarantees are provided by Nordea Bank covering a significant part of the principal of mortgage loans disbursed. If a customer defaults, the realised loss is calculated and the guarantee is settled by Nordea Bank. The first loss guarantees amounted to DKK 118,719m (DKK 119,214m) at end-2022. The share of the loans covered by the first loss guarantees was 99% (98%).

Furthermore, in connection with the disbursement of loans, Nordea Bank provides statutory guarantees relating to registration with the Land Registry. At end-2022 the guarantee amounted to DKK 8,402m (DKK 10,146m).

## Note 25 Risk and liquidity management, continued

### Loan to value

The loan to value (LTV) ratio is considered a useful measure to evaluate the quality of collateral, that is, the fair value of the loans divided by the market value of the properties pledged.

The average LTV on loans for owner-occupied dwellings and holiday homes decreased by 5% points to 49% in 2022, while the average LTV for commercial properties decreased by 5% points to 40% in 2022. The average LTV for agricultural properties decreased by 3% points to 44%.

For owner-occupied dwellings and holiday homes 76% of lending was in the 0-60% LTV range compared to 63% at end-2021. For commercial properties 49% of loans was in the 0-40% LTV range compared to 42% by end-2021.

The lower LTV values across all property categories in 2022 were mainly due to the lower fair value of the loans following the sharply increased interest rates during 2022.

### Mortgage loans by loan to value (LTV) and property category

(%)	Owner-occupied dwellings and holiday homes		Commercial properties		Agricultural properties		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
0-40%	29%	21%	49%	42%	40%	35%	34%	26%
40-60%	47%	42%	38%	34%	45%	43%	45%	40%
60-80%	21%	33%	13%	22%	13%	19%	19%	30%
>80%	3%	4%	1%	2%	2%	3%	2%	4%
<b>Total fair value, DKKbn</b>	<b>268</b>	<b>303</b>	<b>85</b>	<b>91</b>	<b>34</b>	<b>38</b>	<b>386</b>	<b>433</b>
<b>Weighted average LTV</b>	<b>49%</b>	<b>54%</b>	<b>40%</b>	<b>45%</b>	<b>44%</b>	<b>47%</b>	<b>46%</b>	<b>52%</b>

Further information regarding LTV figures can be found in the quarterly investor presentations and the European Covered Bond Council (ECBC) covered bond labelling report. Both reports are available at [www.nordea.com/en/investors/debt-and-rating/nordea-kredit-covered-bonds](http://www.nordea.com/en/investors/debt-and-rating/nordea-kredit-covered-bonds).

### Measurement of changes in credit risk

The change in credit risk is measured as part of the fair value of the mortgage loans. The change in credit risk is measured based on the impairment rules for loans at amortised cost with relevant fair value adjustments.

All mortgages are tested for changes in underlying credit risk. The mortgage loans are divided into three groups depending on the stage of credit deterioration. Stage 1 includes mortgage loans where it has been assessed that there has not been a significant increase in credit risk since the initial recognition of the mortgage loan. Stage 2 includes mortgage loans where there has been a significant increase in credit risk and stage 3 includes credit-impaired mortgage loans. All mortgage loans are assessed individually for staging. Mortgage loans in stage 3 are assessed for changes in credit risk either on an individual basis or by using a statistical model. Mortgage loans in stage 1 and stage 2 are assessed for changes in credit-risk by using a statistical model. Impairment assessment applies three forward-looking and weighted scenarios.

The quality of credit exposures is continuously reviewed throughout the process of identifying and mitigating changes in credit risk. Weak and credit-impaired mortgage loans are closely monitored and reviewed at least on a quarterly basis regarding a possible need for provisions.

### Calculation of provisions regarding changes in credit risk

A change in the credit risk is recognised as a provision if based on credit events and observable data, a negative impact is likely on the customer's expected future cash flow to the extent that full repayment is unlikely (pledged properties and guarantees received considered). The size of the provision is equal to the estimated loss, which is the difference between the carrying amount of the outstanding exposure and the discounted value of the expected future cash flow, including the value of pledged properties and guarantees received.

The calculation of provisions regarding changes in credit risk is executed quarterly. One important driver for provisions is the trigger for transferring mortgage loans from stage 1 to stage 2. For mortgage loans recognised from 1 January 2018 changes to the lifetime probability of default are used as the trigger. In addition, customers with forbearance measures and customers with payments more than 30 days past due are also transferred to stage 2. In stage 1, the provisions are based on changes to the 12-month expected loss. In stage 2, the provisions are based on changes to the lifetime expected loss except from weak stage 2 loans. For weak stage 2 loans and loans in stage 3, the provisions equal the lifetime expected loss. The output is complemented with an analysis process to ensure adequate provisioning.

## Note 25 Risk and liquidity management, continued

### Credit impaired (stage 3)

Customers with exposures that are past due more than 90 days, customers in bankruptcy or considered unlikely to pay are regarded as credit impaired. If a customer recovers from being credit impaired, the customer is seen as cured. Typically, this situation occurs if the customer succeeds in ensuring a balance between income and expenses. In order to be cured the recovery should include the customer's total liabilities with Nordea. The customer will be kept in stage 3 for a penalty period to ensure sufficient recovery.

The provisioning for credit-impaired exposures is either calculated individually or by the statistical model.

### Forbearance

Forbearance refers to eased terms or restructuring of credit terms and conditions due to the borrower experiencing financial difficulties. The intention of granting forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of eased terms are changes in the amortisation profile or reduced administration margins. Forbearance is undertaken on an individual basis, according to internal guidelines, and followed by impairment testing. Loan loss provisions are recognised if necessary. Customers with forbearance measures are transferred to stage 2, unless already identified as credit impaired (stage 3).

### Sensitivity

The loan loss provisions are sensitive to rating migration even if staging triggers are not reached. The table below shows the impact on loan loss provisions of a one-notch downgrade on all exposures at Nordea Kredit. It includes both the impact of the higher risk for all exposures and the impact of transferring exposures that reach the trigger from stage 1 to stage 2. It also includes the impact of the exposures with one rating grade above default becoming default. This figure is based on calculations using the statistical model rather than individual estimates, as would be the case in reality for material defaulted loans.

### Sensitivities

DKKm	31 Dec 2022	31 Dec 2021
Recognised provisions	520	511
Impact on provisions if one notch downgrade	97	169

### Forward-looking information

Forward-looking information is used for both assessing significant increases in credit risk and calculating expected credit losses (ECL). Nordea Kredit uses three macroeconomic scenarios: a baseline scenario, a favourable scenario and an adverse scenario. For 2022 the scenarios were weighted into the final ECL as follows: 50% for the baseline scenario (60% at year-end 2021), 40% for the adverse scenario (20% at year-end 2021) and 10% for the favourable scenario (20% at year-end 2021). The weightings reflected increasing downside risks to the macroeconomic projections compared to last year.

The macroeconomic scenarios are based on the Oxford Economics Model. The forecast is a combination of modelling and expert judgement, subject to thorough checks and quality control processes. The model has been built to give a good description of the historical relationships between economic variables and to capture the key linkages between those variables. The forecast period in the model is ten years. For periods beyond, a long-term average is used in the ECL calculations.

The macroeconomic scenarios reflect Nordea's view of how the economy might develop in light of Russia's invasion of Ukraine and the associated sanctions and countersanctions on trade with Russia. This includes consideration of the high level of energy prices seen after the invasion, continued supply chain disruptions and an expectation of significantly higher interest rates in response to the strong inflationary pressures. When developing the scenarios and determining the relative weighting between the scenarios Nordea took into account projections made by the central bank, Nordea Research and the ECB.

The baseline scenario foresees recession in Denmark triggered by high interest rates and elevated inflation. The weak growth impulse is expected to continue into 2023, weighing on the recovery. The housing market has turned around, with sales showing a market slowdown and prices starting to decline. The risks around the baseline forecast are tilted to the downside.

Nordea's two alternative macroeconomic scenarios cover a range of plausible risk factors which may cause growth to deviate from the baseline scenario. The high energy prices may lead to a deeper and longer recession due to weaker growth in private consumption and investment. In addition, house prices may see an even larger fall due to the high level of interest rates and the squeeze in household purchasing power. A stabilisation of energy prices at a lower level may on the other hand lead to a milder setback over the winter and a stronger recovery going forward.

At end-2022 adjustments to model-based provisions amounted to DKK 307m. The management judgement covers expected credit losses not yet covered by the impairment model due to the rapidly deteriorating macroeconomic outlook. The management judgement is based on applied ICAAP stress tests as the first year estimated net loan loss.

## Note 25 Risk and liquidity management, continued

The table below presents the applied scenarios and recognised loan loss provisions.

### Scenarios and provisions 2022

		2023	2024	2025	Probability weight	Model-based provisions, DKKm	Adjustment, model-based provisions, DKKm	Individual provisions, DKKm	Total provisions, DKKm
Favourable scenario	GDP growth, %	0.7%	1.9%	1.4%	10%				
	Unemployment, %	2.7%	2.7%	2.6%					
	Home prices, %	-5.0%	-1.2%	2.6%					
Baseline scenario	GDP growth, %	-0.1%	1.2%	1.0%	50%	181	307 <sup>1</sup>	32	520
	Unemployment, %	3.0%	3.3%	3.3%					
	Home prices, %	-5.6%	-1.8%	2.0%					
Adverse scenario	GDP growth, %	-3.0%	0.5%	1.1%	40%				
	Unemployment, %	4.0%	4.8%	4.7%					
	Home prices, %	-10.7%	-5.4%	0.9%					

<sup>1</sup> The management judgement was split as follows: DKK 66m in stage 1, DKK 128m in stage 2 and DKK 113m in stage 3.

### Scenarios and provisions 2021

		2022	2023	2024	Probability weight	Model-based provisions, DKKm	Adjustment, model-based provisions, DKKm	Individual provisions, DKKm	Total provisions, DKKm
Favourable scenario	GDP growth, %	4.7%	2.7%	2.3%	20%				
	Unemployment, %	2.7%	2.4%	2.4%					
	Home prices, %	5.3%	3.3%	2.3%					
Baseline scenario	GDP growth, %	3.1%	2.4%	2.4%	60%	306	166 <sup>1</sup>	39	511
	Unemployment, %	3.2%	3.1%	3.1%					
	Home prices, %	4.6%	1.2%	3.0%					
Adverse scenario	GDP growth, %	1.3%	2.3%	2.0%	20%				
	Unemployment, %	4.1%	4.0%	4.0%					
	Home prices, %	-4.4%	-1.9%	1.4%					

<sup>1</sup> The management judgement was split as follows: DKK 60m in stage 1, DKK 83m in stage 2 and DKK 23m in stage 3.

The sensitivity of the applied scenarios to the model-calculated ECL reflects Nordea Kredit's business model and credit risk management. The high collateralisation and additional first loss guarantee from Nordea Bank are to a high extent expected to absorb losses from deterioration in credit quality. A management judgement of a total of DKK 261m was made in 2022 to cover credit losses not captured by the impairment model due to the rapidly deteriorating macroeconomic outlook. Furthermore, Nordea Kredit has a management judgement for expected losses on loans in stage 1 covering rating migration not yet identified in the rating/scoring models of DKK 46m.

### Rating and scoring distribution

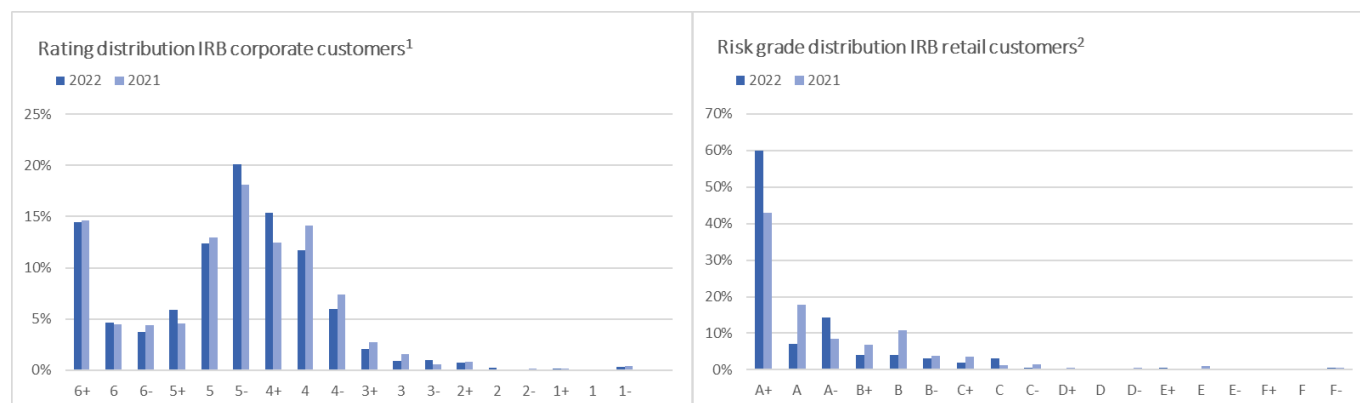
One way of assessing credit quality is through analysis of the distribution across rating grades for rated corporate customers as well as risk grades for scored household and small business customers, that is, retail exposures.

The overall credit quality is solid with strongly rated customers.

The average credit quality improved in 2022 as 25% of corporate customers migrated upwards (2021: 22%) while 13% (2021: 15%) were downrated. 94% (93%) of the corporate exposure was rated 4- or higher with an average rating for the portfolio of 5-.

## Note 25 Risk and liquidity management, continued

Retail customers showed a distribution that was biased towards the higher risk grades. 98% (98%) of the retail exposure was rated C- or higher, which indicates a probability of default of 1% or lower. Defaulted loans are not included in the rating/scoring distributions.



<sup>1</sup> Rating grades 4- and better are comparable to investment grade as defined by external agencies such as Moody's and Standard & Poor's. Rating grades 2+ to 1- are considered as weak and require special attention.

<sup>2</sup> Scoring grades A+ to F are non-default. The best score is A+.

The table below presents loans and receivables at fair value (gross carrying amount) broken down by rating/scoring distributions plus stages 1, 2 and 3:

DKKm, 31 Dec 2022	Stage 1	Stage 2	Stage 3	Total
6 / A	229	0	0	229
5 / B	72	0	0	73
4 / C	62	2	0	64
3 / D	7	3	0	10
2 / E	0	3	0	4
1 / F	0	3	0	3
0 (credit impaired)	0	0	3	3
Unrated customers	0	0	0	0
<b>Total</b>	<b>370</b>	<b>12</b>	<b>3</b>	<b>386</b>

DKKm, 31 Dec 2021	Stage 1	Stage 2	Stage 3	Total
6 / A	224	0	0	224
5 / B	106	0	0	107
4 / C	73	4	0	76
3 / D	9	3	0	13
2 / E	1	4	0	5
1 / F	0	3	0	3
0 (credit impaired)	0	0	4	4
Unrated customers	0	0	0	0
<b>Total</b>	<b>413</b>	<b>15</b>	<b>5</b>	<b>432</b>

### Market and liquidity risks

Market risk is the risk of loss on Nordea Kredit's positions as a result of changes in market rates and parameters that affect the market values or net interest income flows. Liquidity risk is the risk that Nordea Kredit can only meet its liquidity commitments at an unsustainably high price or, ultimately, is unable to meet its obligations as they come due.

The business model of Nordea Kredit is to provide mortgage loans match-funded by covered bond issuance. Consequently, Nordea Kredit's market risk exposure is limited to the following three sources: (i) liquidity investments of cash and equity in reverse repos generate risk to its net interest income (NII) in case of falling interest rates; (ii) adherence to the specific balance principle generates interest rate risk, primarily from cash flow mismatches stemming from the early redemption of loans; (iii) the income from administration margins on bonds denominated in euros generates some currency risk, as the income is not immediately exchanged to Danish kroner.

Nordea Kredit is exposed to liquidity risk from the funding of loans, the refinancing of maturing adjustable-rate mortgage (ARM) bonds and floating-rate notes (FRN) bonds, as well as the supplementary collateral requirement in the SDRO issuing cover pool (capital centre 2). Furthermore, the credit risk on borrowers can create a liquidity risk if a borrower cannot pay according to agreed terms, while Nordea Kredit is obliged to pay the investor.



## Note 25 Risk and liquidity management, continued

### Interest rate risk

In accordance with the Danish Executive Order on Bond Issuance, the Balance Principle and Risk Management adherence to the specific balance principle stipulates that the interest rate risk resulting from payment differences between incoming payments on loans and outgoing payments on mortgage bonds must not exceed 1% of own funds, or DKK 222m (2021: DKK 221m). In addition, the interest rate risk on capital investments must not exceed 8% of own funds, or DKK 1,774m (2021: DKK 1,766m).

Nordea Kredit operates with interest rate risk significantly below both of the above-mentioned limits.

### Interest rate risk

	31 Dec 2022	31 Dec 2021
<b>DKKm</b>		
IR risk related to capital & liquidity placements <sup>1</sup>	17	20
IR risk related to cashflow mismatches <sup>2</sup>	1	9

<sup>1</sup> IR risk related to capital & liquidity placements measures the interest rate risk on the capital and liquidity investments as a parallel shift in interest rates of +/- 100bp, where the total interest rate risk is the numerical sum of interest rate risk across all currencies. For Nordea Kredit only DKK is relevant.

<sup>2</sup> IR risk related to cashflow mismatches measures the interest rate risk stemming from payment differences as the most adverse potential loss based on six predetermined scenarios.

The scenarios are +/- 100bp parallel shift, +/- 300bp parallel shift for option-like cash flows divided by 3, and a curve steepening as well as a curve flattening scenario.

### Currency risk

At end-2022 the currency risk amounted to DKK 0.4m (DKK 0.4m) with effect on profit before tax and equity and relates solely to exposures in euros.

### Currency risk

DKKm	Total risk	Max	Min
31 Dec 2022	0	0	0
31 Dec 2021	0	1	0

### Liquidity coverage ratio (LCR)

The common European LCR requirement for Nordea Kredit is 100% of net liquidity outflows over a 30-calendar day stress period, as specified by the Delegated Act. In addition, Nordea Kredit has an LCR pillar 2 add-on which is applicable from 8 July 2022. This is a Danish liquidity requirement for all mortgage companies in Denmark and implemented to capture entity specific liquidity risk. Nordea Kredit report both an LCR DA and an LCR including pillar 2 add-on. The latter will always be the most restrictive and thus binding requirement. At the end of 2022 the LCR DA was 340% and the LCR including pillar 2 add-on was 194%.

### Operational risk

Operational risk is defined at Nordea as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational risk is inherent in all activities within the organisation, in outsourced activities and in all interactions with external parties.

Nordea Kredit has as its own second line of defence a risk management function (CRO), where operational risk is also monitored. The flow of risk-related information is presented directly to the Board of Directors and initially passes through BRIC. The operational risks are monitored through regular risk assessment procedures and systematic quality and risk-focused management of changes.

### Compliance risk

Compliance risk is defined as the risk of failing to comply with applicable laws, regulations, standards, supervisory requirements and related internal rules governing Nordea Kredit's activities.

Managing compliance risks is part of management's responsibilities. The compliance risks are monitored by Nordea Kredit's compliance function. The flow of risk-related information is presented directly to the Board of Directors and initially passes through BRIC. The compliance risks are monitored through compliance assessment procedures.

# Proposed distribution of earnings

According to the company's balance sheet, the following amount is available for distribution by the Annual General Meeting:

DKKm	
Retained earnings	19,464
Share-based payments	1
Net profit for the year	1,075
<b>Total</b>	<b>20,540</b>

The Board of Directors proposes that the profit for 2022 is distributed as follows:

DKKm	
Retained earnings	19,464
Other reserves	1
Proposed dividends to the shareholders	1,075
<b>Total</b>	<b>20,540</b>

The company's distributable earnings amount to DKK 20,540m. After the proposed distribution of earnings, the company's unrestricted shareholders' equity amounts to DKK 19,464m.

# Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management have considered and adopted the annual report of Nordea Kredit Realkreditaktieselskab for the financial year 2022.

The annual report has been prepared in accordance with the Danish Financial Business Act, including the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Credit Institutions and Investment Firms etc.

It is our opinion that the financial statements give a true and fair view of the company's financial position at 31 December 2022 and of the results of the company's operations for the financial year 1 January-31 December 2022.

Further, in our opinion, the Board of Directors' report provides a fair review of the development in the company's operations and financial matters, the results of the company's operations and financial position and describes the material risks and uncertainties affecting the company.

In our opinion, the annual report of Nordea Kredit Realkreditaktieselskab for the financial year 1 January-31 December 2022 identified as [nordeakredit-31-12-22.xhtml](#) is prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend to the Annual General Meeting that the annual report should be adopted.

Copenhagen, 20 February 2023

## Board of Directors

Mads Skovlund Pedersen  
(Chair)

Anne Rømer  
(Vice Chair)

Anders Frank-Læssøe

Anita Ina Nielsen

Marte Kopperstad

Thomas Vedel Kristensen

Anders Holkmann Olsen

Helene Bløcher

## Executive Management

Morten Boni  
(Chief Executive Officer)

Claus H. Greve  
(Deputy Chief Executive Officer)

# Independent auditors' reports

**To the shareholders of Nordea Kredit Realkreditaktieselskab**

## **Report on the audit of the Financial Statements**

### **Our opinion**

In our opinion, the Financial Statements give a true and fair view of the Company's financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January to 31 December 2022 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

### **What we have audited**

The Financial Statements of Nordea Kredit Realkreditaktieselskab for the financial year 1 January to 31 December 2022 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity and notes to the financial statements, including summary of significant accounting policies ("Financial Statements").

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 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 Nordea Kredit Realkreditaktieselskab 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. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

### **Appointment**

We were first appointed auditors of Nordea Kredit Realkreditaktieselskab on 27 February 2015 for the financial year 2015. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of eight years including the financial year 2022.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2022. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment of loans and receivables at fair value</b></p> <p>Accounting for loans to customers at fair value is complex and requires subjective judgements over both the timing of the recognition of impairment and the estimation of the size of any such provision for impairment in accordance with the Accounting Executive Order ("Regnskabsbekendtgørelsen"). We refer to the accounting policies section 2.</p> <p>The Company makes provisions for expected losses both on an individual basis in terms of individual provisions and on a model-based basis.</p> <p>As a result of the rapidly deteriorating macroeconomic development and outlook with among other things sharply rising energy prices, historically high inflation, and increased interest rates Management has recognised a substantial provision for expected losses based on an accounting estimate ("management judgement"). The consequences of the macroeconomic development and outlook for the costumers are to a material extend not known and as a result hereof there's an increased estimation uncertainty related to the size of the provision for expected losses on loans.</p> <p>We focused on loan impairment provisions, as the accounting estimate is by nature complex and influenced by subjectivity and thus to a large extent associated with estimation uncertainty.</p> <p>Important areas within impairment of loans to customers relate to:</p> <ul style="list-style-type: none"> <li>• Identification of credit impaired loans (stage 3) or loans with material weaknesses (stage 2), including completeness of the customer accounts that are included in the impairment calculation.</li> <li>• Customer risk assessment, including internal rating and valuation of collaterals held related to real estate and third-party guarantees.</li> <li>• The model-based impairments in stages 1 and 2, including Management's assessment of the model variables.</li> <li>• Assumptions and judgements made by Management as the variables in the model underlying the calculation of model-based impairments and individual provisions including management judgements related to the macroeconomic development and outlook.</li> </ul> <p>The principles for impairments of loans and receivables at fair value are described in note 1, section 2, Critical judgements and estimation uncertainty, note 11 - Loans and receivables at fair value and note 25 - Risk and liquidity management to the Financial Statements.</p>	<p>We performed risk assessment procedures with the purpose of achieving an understanding of it-systems, business procedures and relevant controls regarding the calculation of provisions for expected losses on loans. In respect of controls, we assessed whether they were designed and implemented effectively to address the risk of material misstatement.</p> <p>For selected controls, on which we planned to rely on, we tested whether these controls had been performed on a consistent basis. We assessed and tested relevant internal controls over:</p> <ul style="list-style-type: none"> <li>• Individually assessed loan impairment calculations (stage 3 and stage 2 with weaknesses)</li> <li>• Existence and valuation of collaterals held</li> <li>• Model-based assessed loan impairment calculations</li> <li>• Internal rating and stage classification</li> </ul> <p>We performed detailed testing on a sample of loans to ascertain whether we concur with the risk assessment as expressed by the internal rating and stage classification.</p> <p>We tested the impairment calculation on a sample of impaired loans, including assessment of expected future cash flow, fair value of collaterals (real estate) and various outcome of the financial position of the customer (scenarios).</p> <p>We examined a sample of loans, which had not been identified by Management as impaired.</p> <p>We assessed and challenged the appropriateness of the Company's validation of the model and relevant parameters in the model-based impairment model.</p> <p>We assessed and challenged the basis for the accounting estimates ("management judgement") related to the provisioning for expected losses as a result of the macroeconomic development and outlook and other management judgements.</p> <p>We also assessed whether the matters that may have an influence on provisions for expected losses on loans have been appropriate disclosed.</p>

## **Statement on Management's Review**

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Business Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement in Management's Review.

## **Management's responsibilities for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and 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 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 unless Management either intends to liquidate the 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 about 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 the 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 these Financial Statements.

As part of an audit in accordance with ISAs and the 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 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 and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

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

### **Report on compliance with the ESEF Regulation**

As part of our audit of the Financial Statements, we performed procedures to express an opinion on whether the annual report of Nordea Kredit Realkreditaktieselskab for the financial year 1 January to 31 December 2022 identified as nordeakredit-31-12-22.xhtml 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 Nordea Kredit Realkreditaktieselskab for the financial year 1 January to 31 December 2022 identified as nordeakredit-31-12-22.xhtml is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 20 February 2023

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Business registration no 33 77 12 31

Christian Fredensborg Jakobsen  
State Authorised Public Accountant  
mne16539

Peter Nissen  
State Authorised Public Accountant  
mne33260



# Management and Board of Directors of Nordea Kredit

## Board of Directors

### Mads Skovlund Pedersen (Chair)

#### Internal assignments:

Head of Personal Banking, Nordea Denmark  
Country Senior Executive DK, Nordea Denmark

#### External assignments:

Vice Chair of the Board of Directors of Finance Denmark  
Member of the Board of Directors of FR I AF 16. september 2015 A/S (FR1)

### Anne Rømer (Vice Chair and external member)

#### Internal assignments:

None

#### External assignments:

VP Group Finance & Treasury, DSB  
Chair of the Board of Directors of Selskabet af 28.08.2017 67DD A/S  
Chair of the Board of Directors of Selskabet af 23.05.2017 46DD A/S  
Chair of the Board of Directors of Selskabet af 04.09.2020 EB A/S  
Chair of the Board of Directors of Selskabet af 04.01.2021 EB A/S  
Chair of the Board of Directors of Selskabet af 03.01.2021 EB A/S

### Anders Frank-Læssøe

#### Internal assignments:

Group Treasurer, Group Treasury, Nordea Bank Abp

#### External assignments:

None

### Helene Bløcher

#### Internal assignments:

Head of Business Banking, Nordea Denmark

#### External assignments:

None

### Anita Ina Nielsen

#### Internal assignments:

Country AML Responsible, Nordea Denmark

#### External assignments:

None

### Thomas Vedel Kristensen

#### Internal assignments:

Strategic Adviser within Technology, Nordea Bank Abp

#### External assignments:

None

### Marte Kopperstad

#### Internal assignments:

Head of Products and Development, Nordea Bank Abp  
Chair of the Board of Directors of Nordea Eiendomskreditt AS, Norway  
Vice Chair of the Board of Directors of Nordea Mortgage Bank Plc, Finland  
Member of the Board of Directors of Nordea Hypotek AB (publ), Sweden

#### External assignments:

Member of the Board of Directors of BITS AS, Norway

### Anders Holkmann Olsen

#### Internal assignments:

Branch Manager and Group General Counsel, Nordea Denmark  
Chair of the Board of Directors of Fionia Asset Company A/S  
Chair of the Board of Directors of Ejendomsselskabet Vestre Stationsvej 7, Odense A/S

#### External assignments:

Board Member of Karl Pedersen og Hustrus Industrifond

## Executive Management of Nordea Kredit

### Morten Boni

#### Internal assignments:

Chief Executive Officer

#### External assignments:

Vice Chair of the Board of Directors of e-nettet A/S  
Member of the Board of Directors of the Association of Danish Mortgage Banks

### Claus H. Greve

#### Internal assignments:

Deputy Chief Executive Officer

#### External assignments:

Member of the Board of Directors of the Association of Danish Mortgage Banks

## Address

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### Nordea Kredit Realkreditaktieselskab

Bus reg no 15134275

Grønjordsvej 10,  
2300 Copenhagen S, Denmark

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