Annual Report 2022

Danske Hypotek AB (publ)

Danske Bank

Contents

Company executives
Per Tunestam
Chief Executive Officer,
employed since 2016

Peter Jönsson
Chief Financial Officer,
employed since 2017

Tomas Renger
Chief Funding Manager,
employed since 2017

Malin Hägglund
Chief Operating Officer,
employed since 2020

Joakim Olsson
Head of Credit,
employed since 2017

Jonas Wikfeldt
Chief Funding Manager,
employed since 2017

Other executives, on an assignment basis, comprise the following individuals:

Anneli Virdenäs
Chief Risk Officer,
employed in Danske Bank A/S, Sverige Filial

Johan Hedqvist
Head of First Line Risk,
employed in Danske Bank A/S, Sverige Filial

Romina Bolin
Head of Legal,
employed in Danske Bank A/S, Sverige Filial

Giorgio Vellani
Senior Compliance Officer,
employed in Danske Bank A/S, Sverige Filial

Company Board of Directors
Anna-Lena Axberger
Chairman of the Board (Deputy Country Manager Sweden, Sverige Filial)

Robert Wagner
Member (Head of Liquidity & Capital Risk Management, Danske Bank A/S)

Anneli Adler
Member (Head of Personal Customers SE Danske Bank A/S, Sverige Filial)

Kim Borau
Member (Head of Performance Management, Personal & Business Customers, Danske Bank A/S)

Kamilla Hammerich Skytte
Member (Chief Executive Officer, Realkredit Danmark)

Kristina Alvendal
External member (Senior Advisor, Bonnier Fastigheter)

Auditors
Deloitte AB, Auditor-in-Charge Patrick Honeth

Internrevisor
Miriam Gyllenros
Head of Internal Audit,
employed in Danske Bank A/S, Sweden Branch

Independent inspector
The independent inspector appointed by the Swedish Financial Supervisory Authority is Sussanne Sundvall, PwC

Management's Report 2022

The Board of Directors and Chief Executive Officer of Danske Hypotek AB (publ.) (corp. ID no. 559001-4154) hereby submit the Annual Report for 2022. The company is a wholly owned subsidiary of Danske Bank A/S (corp. ID no. 61126228).

SEK million	2022	2021	2020	2019	2018
Income statement					
Total operating income	1 106	1 242	1 119	1 018	780
Total expenses	-250	-125	-135	-101	-61
Loan impairment charges	-2,0	-14,6	27,3	47,7	-1,9
Profit before tax	854	1 102	1 012	965	717
Balance sheet					
Lending to the public	131 635	124 444	117 365	97 023	77 429
Total assets	140 958	131 229	123 647	101 348	80 803
Due to credit institutions	29 693	26 644	25 402	22 001	28 300
Issued bonds, etc.	98 020	97 309	92 232	74 221	48 264
Total liabilities	133 744	124 693	117 986	96 482	76 696
Total equity	7 214	6 536	5 661	4 866	4 107
Key performance indicators					
Return on equity, %	9,6	14,6	15,0	16,7	18,5
Return on total assets, %	0,5	0,7	0,7	0,8	1,0
Investment margin, %	0,9	1,0	1,1	1,2	1,4
Expenses/Income	0,2	0,1	0,1	0,1	0,1
CET1 capital ratio, %	19,5	18,3	17,5	16,7	16,1
Proportion of impaired loans, %	0,4	0,7	0,2	0,1	0,1
Loan impairment charge level	0,0	0,0	0,0	0,0	0,0
Average loan, SEK thousands	1 079	1 039	1 057	1 061	1 078
Average weighted LTV in the cover pool, %	59	54	58	59	59

The annual report contains a number of key performance indicators (so-called alternative performance measures - APMs), which provide further information about Danske Hypotek. The APMs are calculated from the financial statements without adjustment. See Note 30 for a list of APMs.

Background on the formation of Danske Hypotek AB

The Danske Bank Group, one of the largest banking groups in the Nordic region, has an explicit strategy to strengthen its positions in the Swedish market. Danske Bank established operations in Sweden in 1995 and conducts banking activities as a branch of the Danish Parent Company. The growth of lending in the Swedish market has been strong in recent years. Through its Swedish network of offices and its strong digital offering, the Swedish branch has successfully conducted mortgage loan business in Sweden and aim to gradually increase its market share, among other things through strategic cooperation agreements with the trade unions Saco (2016) and TCO (2017) and the Housing cooperation HSB (2019).

Danske Hypotek is a wholly owned Swedish subsidiary of Danske Bank A/S. In 2017 the Company received permits from Swedish Financial Supervisory Authority to become a credit market company, and be permitted to issue covered bonds. The primary purpose of establishing the Company is to create long-term stable financing with regard to Swedish mortgage loans. The Swedish branch's long-term growth in Sweden is supported through the Company's access to the Swedish benchmark market for covered bonds. This way, the best possible conditions are created for the Swedish branch to offer long-term competitive lending to Swedish mortgage loan customers and owners of residential properties in Sweden.

Danske Hypotek's operations

The Company's operations primarily consist of acquiring Swedish mortgage loans from Danske Bank A/S so that they can constitute collateral for the covered bonds issued by the Company. The Company does not conduct any new lending business of its own; lending takes place in the Swedish branch. For information on the Swedish branch, please refer to www.danskebank.se.

Danske Hypotek's first covered bonds were successfully issued at the end of August of 2017. The Company's bonds received a AAA credit rating from Standard & Poor's and Nordic Credit Rating. At the end of 2022, the total nominal outstanding amount was SEK 104.6 billion distributed over five bond maturities. The Company's mortgage loans amounted to around SEK 131.6 billion at the same time.

Coordination with Danske Bank

The Company's operations are coordinated with the Danske Bank Group. A large part of the Company's operations are conducted using services procured and provided through various units within the Danske Bank Group. These services are regulated through a separate general outsourcing agreement and multiple underlying service level agreements. The Company pays a fee for these services. The Company also has access to financing through Danske Bank A/S and has entered into derivative agreements with Danske Bank A/S to hedge its financial risks.

Market and development

Housing prices went down during 2022, after several years of increasing housing prices. During the year, the Swedish economy grew with modest 2.4% after a strong growth during 2021. The household sector have decreased its consumption slightly the year but companies have increased investments sharply. The increase can be assumed to be explained by delayed investments during the years of pandemic. After several years of very low interest rates, the levels increased sharply during 2022. After the Riksbank´s policy rate of around 0.0% during 2021 and the first four month of 2022, it was then increased five time during 2022. The market growth in mortgage loans during 2022 was lower than the previous two years. The loan-to-value ratio in the cover pool is 59 % (54 %), which is still relatively low and is at the same level as 2018-2022. Even a continued negative development of the housing prices is assessed to have no significant negative impact on the Company´s covered pool since there is a reassuring margin of securities.

Profit before tax

The 2022 operating profit was SEK 854.2 million (1,105.6) and net interest income amounted to SEK 1 169.1 million (1,301.2). The negative development increase is mainly explained by increased costs but also explained by higher funding costs.The net income from financial transactions at fair value amounted to an expense of SEK 69.4 million (-74.4). Net commissions amounted to an expense of SEK 24.9 million (22.7). Total income amounted to SEK 1,106.0 million (1,241.6) and expenses to SEK 249.9 million (87.9). Expenses consisted primarily of compensation to Danske Bank for services rendered according to applicable outsourcing agreements, the fee to the Resolution Fund and the new Risk Tax. The increased costs for outsourcing was due to the updated cost model for outsourced services. For the year, the fee for the resolution fund were SEK 38.5 million and the Risk tax were SEK 48.7 million (see note 9). Loan impairment charges were SEK 2.0 million (14.6). The change is reservations for credit losses between the years is mainly due to assessed changes in credit risk and updated macroeconomic assumptions.

Capital adequacy

Danske Hypotek's total capital ratio and CET1 capital ratio amounted to 19.5% (18.3) as of 31 December 2022. Net profits for both the year and the comparison period are included in the capital base. Internally assessed capital requirements amounted to SEK 4,852 million (4,144) as of 31 December 2022; the entire amount is covered by CET1 capital. For more information on capital adequacy, see Note 3.

Lending

Danske Hypotek continuously acquires already granted and established mortgage loans from Danske Bank's Swedish branch, where a mortgage deed in real estate or a pledged tenant-owner right intended for residential purposes has been provided as collateral. The purpose is that the acquired loans, in part or in whole, shall be included as collateral in the cover pool that constitutes the collateral for the issuance of covered bonds. During 202 the Company has for the first time included commercial real estate in the cover pool, see note 14.

Danske Hypotek accordingly conducts no new lending, but rather all new lending business is handled in Danske Bank's Swedish branch. All acquired mortgage loans have undergone Danske Bank's credit process and all borrowers have been deemed to be able to pay interest and instalments given interest rates that exceed by a good margin the current level at the time credit is granted.

The acquired credits are managed by Danske Bank's Swedish branch, on behalf of Danske Hypotek through outsourcing agreements. This means that notification, management of received payments of interest and instalments, extensions, credit follow-up, etc. are managed by Danske Bank's Swedish branch.

Credit portfolio

As of the end of December 2022, the total credit portfolio amounted to SEK 131,635 million (124,444). The portfolio consists of mortgage loans for residential purposes. The geographic distribution is concentrated to the metropolitan areas and growth areas. Repayment capacity is deemed to be very good and the risk in the credit portfolio is deemed to be low.

Cover pool

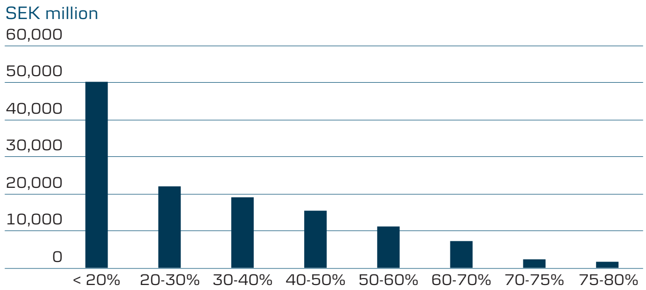
As of 31 December, the eligible mortgage loans is the cover pool, which constitutes collateral for the issuance of covered bonds, amounted to SEK 129,505 million, which corresponds to more than 98% of the total mortgage loan portfolio. At 31 December, the average weighted loan-to-value ratio (LTV) amounted to 59% and the overcollateralisation level amounted to 24%. The collateral consists of 40% tenant-owner apartments, 57% single-family homes and 3% rental proporties. The revaluation of the collateral is done continuously and an update.

Cover Pool KPIs

Cover pool, SEK million	129,505
Average loan, SEK thousands	1,079
Number of loans	120,056
Number of borrowers	56,370
Number of properties	58,018
Average weighted LTV, %	59
Average seasoning, years	4,9

Regional distribution	Volume, SEK million	Volume, %
Stockholm	56,023	43%
Gothenburg	16,593	13%
Malmoe	10,082	8%
Southern Sweden	9,398	7%
Western Sweden	7,258	6%
Northern Sweden	6,821	5%
Eastern Sweden	23,330	18%
Outside Sweden	0	0%
Total	**129,505**	**100%**

Loan volume in cover pool by LTV interval



Funding and liquidity

Funding

Danske Hypotek's primary source of funding is through covered bonds in the Swedish benchmark market. As a complement, the Company also has access to financing through Danske Bank A/S in the form of a loan facility. Danske Hypotek had five bonds in the market at the end of 2022.

The Company launched its seventh bond, DH2712 (maturity date 2027-12-15. It was Danske Hypotek´s first bond under the new EU regulation for covered bonds, Covered Bonds Directive, CBD. Altogether, all five bonds were very well received in the market and subsequent so-called tap issues have continuously been carried out at competitive pricing.

At 31 December 2022, the total outstanding nominal volume was SEK 104,556 million(96,551).

During the year, Danske Hypotek's funding costs have been more volatile and on a higher level, compared with previous years. This as a consequence of the large interest rate movements that have caused by rapidly increasing inflation and, as a mitigant to that, tightening monetary policy measures from the Riksbank.

The Swedish market for covered bond has, besides volatility, characterized by periods with low activity and poor liquidity. Despite this Danske Hypotek have been able to fulfill it´s funding plan, and to competitive funding cost compared with peers.

Danske Hypotek have since the start in 2017, been determined to establish itself as a long-term issuer in the Swedish covered bond market. The strategy for this is to continuously conduct tap issues in the Company's outstanding bonds and to yearly introduce at least one new bonds in the market.

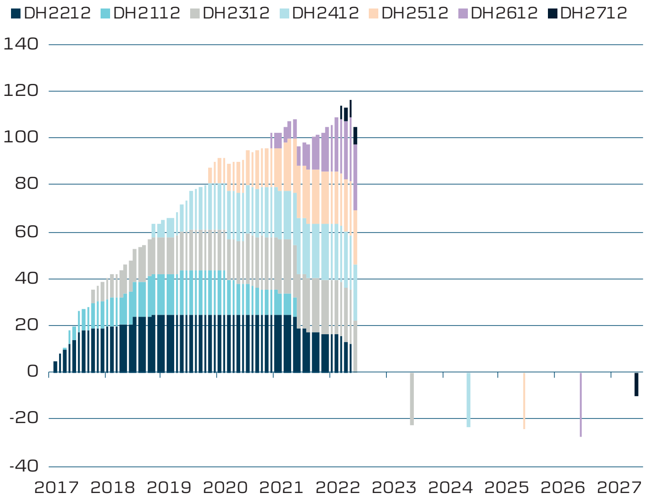
During 2022 a new bond was introduced, DH 2712, and tap issues was made in Danske Hypotek´s tre longer bonds. A total of SEK 27.8 billion was issued during the year and buy-back of a total of SEK 12.5 billion was made. The shortest bond, DH2212, matured in December and had at maturity an outstanding volume of SEK 12.5 billion. Danske Hypotek intends to continue acting in a clear and transparent manner in the market and thereby build, and keep, confidence among investors and market participants. The aim is to thereby create long-term conditions for good liquidity and competitive pricing in the Company's bonds.

Bond list, covered bonds in SEK thousands

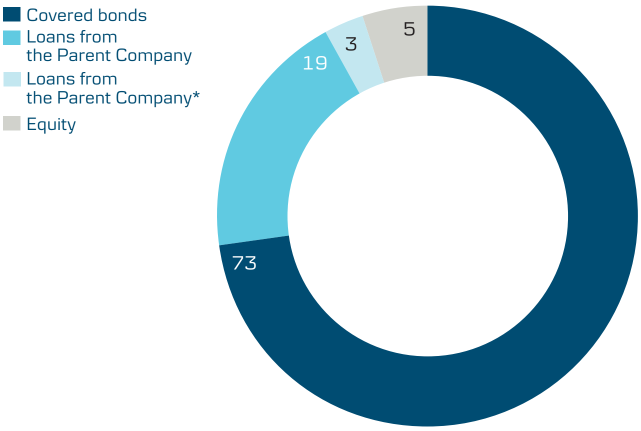
31 Dec 2022

Loan no.	Interest terms, %	Loan date	Interest date	Maturity date	Outstanding amount
DH2312	1%	2018-04-25	20 december	2023-12-20	22 456 000
DH2412	1%	2019-05-23	18 december	2024-12-18	23 750 000
DH2512	1%	2020-05-12	17 december	2025-12-17	23 050 000
DH2612	0,5%	2021-06-02	16 december	2026-12-16	27 850 000
DH2712	3,5%	2022-09-09	15 december	2027-12-15*	7 450 000
* Extended maturity					**104 556 000**

Issues and maturities
(SEK billion)



Funding sources
(%)

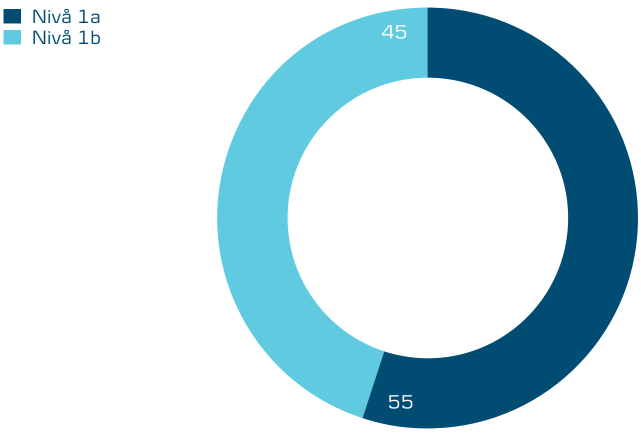


*Liability that can be written down (MREL)

Funding programmes
Besides the Swedish benchmark programme, Danske Hypotek established an international funding programme. The intention of the programme is not that it should actively be used in the next few years, but rather is intended to provide the Company and the Group additional preparedness and diversification capacity.

Liquidity
Danske Hypotek's liquidity portfolio consists solely of highly liquid assets of very good quality. All assets have the highest credit ratings and are categorised as level 1a or 1b in the Liquidity Coverage Ratio (LCR) according to the distribution in the figure below. Danske Hypotek's level 1a assets are comprised 100 % of Swedish municipal bonds and supra nationals. Level 1b assets are comprised 100% of covered bonds in Swedish krona. At 31 December 2022, the portfolio's market value amounted to SEK 4,544 million of which 55% are government and municipal bonds and 45% are covered bonds (all assets are in SEK). The main purpose of the portfolio is to fulfil regulatory requirements regarding LCR.

Danske Hypoteks likviditetsportfölj
(%)



Rating
Danske Hypotek's covered bonds have the highest credit rating, AAA, from Standard & Poor's and from Nordic Credit Rating.

Risk management
Danske Hypotek defines risk as a potentially negative impact from an expected result. Given the activities conducted, the Company is exposed to a number of risks and follows up and handles them at several organisational levels. The main risk categories are: Credit risk, Liquidity risk, Market risk and Operational risk.

As the Company is a part of the Danske Bank Group, the risk management shall to the furthest extent possible be in line with and follow the Group's guidelines and policies for effective risk management. The risk management follows a division of roles and responsibility according to the principle of three lines of defence. The division of roles and responsibility between the various lines of defence provides a clear distinction in duties between risk taking functions and the independent functions for risk and regulatory compliance and for internal audit.

The Company's risk taking is low and limited within the framework of the Company's risk capacity. The Company's risk appetite and risk tolerance are documented annually in steering documents approved by the Board. These steering documents comprise every significant risk category and contain explicit qualitative and/or quantitative risk limits all of which are within the scope of the Company's risk capacity. The Company's current risk situation, the so-called risk profile, is monitored and followed up continuously by the function for Risk and the respective risk owners (operational function heads). The Company's risk profile in relation to risk capacity, appetite and tolerances is a continuous dialogue among management and the Board.

Principles of risk management
The Company manages and evaluates its risk exposure to risks that the operations are exposed to in accordance with the following overall principles:

- A high risk awareness and sound risk culture shall be strived for in the entire company.
- Every employee has good understanding of the company's own operations and the risks associated with them.
- The Company's strategy, business model and values are the starting points of the risk management.
- There are clear and documented internal procedures and control systems, including responsibilities and authorities.
- Operational changes, such as new/changed services or products, are reviewed according to documented processes.
- Measurement methods and system support are adapted to the operations' needs, complexity and size.
- Incident reporting in the operations takes place according to a documented process.
- There are adequate resources and expertise to achieve desired quality in both business activities and control activities.
- The function for Risk is independent and responsible for continuously identifying and reporting the significant risks that the Company is or may be exposed to.
- An annual evaluation is done of what possible training needs there are in the organisation.

Risk-management process
The risk management process consists of the following steps:
1) identify, 2) measure, 3) handle, 4) control and 5) report risks. The risk management process and resulting activities comprise all lines of defence and all employees and are integrated into the operations. In addition, the activities shall be both proactive and reactive, and include on-going, recurring and annual activities. An annually recurring activity of significance to the Company is its Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP) report. The risk

management process aims to both manage identified risks and to identify new risks, for example as a result of changes in products, processes and systems. Within ICLAAP, prospective risk analysis shall also be done.

The risk management process comprises the respective risk category, and how the various risks interact by calculating the total risk situation and how it develops over time. The formats for the continuous risk management process can differ between different risks. The Risk function has the responsibility of monitoring overall risk.

Risk measurement methods

Based on the Company's risk profile, every identified risk category shall be quantified with a suitable measurement method for the management and control of the risk. To ensure that the risk measurement methods meet internal business requirements and external regulations, the company shall use several different and supplementary risk measurements adapted to the scope of and complexity in the activities conducted.

Risk management system

The Company's risk management system makes it possible to continuously evaluate and assess the risks that the company's activities are associated with. The system is an integrated part of the Company's decision-making processes and contributes to the targets of the Company's activities being possible to achieve with a higher degree of certainty. The risk management system includes the strategies, processes and reporting procedures that are necessary to continuously be able to identify, measure, manage, control and report the risks that the activities are associated with. The Company has also introduced methods and procedures that are required to manage the risks related to the Company's operations. The Company's risk management system is not only structured to comply with regulatory requirements, but also to meet internal needs and to follow generally accepted market practice. The risk management system covers both the risks that are covered by the capital requirement and other significant risks that the operations give rise to. For more information on risk management in Danske Hypotek, refer to Note 2.

Sustainability

In accordance with Chapter 7 Section 31 in the Annual Accounts Act (Årsredovisningslagen), the Company does not prepare any statutory sustainability report. The Parent Company, Danske Bank A/S, with its registered office in Denmark, prepares a sustainability report for the Group of which Danske Hypotek is a part. The Group's sustainability report is available on Danske Bank's website, www.danskebank.com/societal-impact.

Expected future volume development

During the next few years, the Company intends to offer more bonds and gradually continue building up its volume in the Swedish bond market. The possible rate of growth in the Company's portfolio is determined partly by the maturity profile of Danske Bank's previously issued bonds, where a I part of the Swedish mortgage loans still currently constitute collateral, and partly by the rate of the new lending growth in the Swedish branch's mortgage credit business.

The Company will therefore be able to provide good liquidity in it´s bond offerings in the long term.

During 2022, the Company have, beside mortgage loans to private individuals, has started to acquired loans to owners of multifamily properties, such as property companies and tenant-owner associations. More detailed information on the Company's mortgage loans is available at www.danskehypotek.se.

Russia´s attack on Ukraine, with the following extensive sanctions against Russia, have not had any material negative impact on the Company´s ability to issue bonds. However, the expectation is that the funding cost will still be high during 2023 and can be characterized by volatility.

The new marco economic situation, with high inflation and increasing interest rate, may have a negative impact on reservations for credit losses during 2023.

Proposal on the appropriation of the Company's profit or loss

The Board of Directors and CEO propose that non-restricted equity, SEK 7,164,197,392, will be appropriated as follows:

Amounts in SEK	
Retained earnings	6,486,028,549
Net profit for the year	678,168,843
Total	**7,164,197,392**
Carried forward to next year	7,164,197,392
Total	**7,164,197,392**

Regarding the Company's position and performance otherwise, please refer to the following income statement and balance sheet with accompanying notes.

Corporate Governance Report 2022

Danske Hypotek is a Swedish public credit market company, with a registered office in Stockholm, and wholly owned subsidiaryof Danske Bank A/S. Danske Hypotek's operations comprise the issue of covered bonds and activities associated therewith.

Board of Directors and Chief Executive Officer
Danske Hypotek's Board of Directors has the overall responsibility for the company's organisation and operations and ensures that there is a suitable structure and organisation for internal control and governance. The Board works for a sound corporate culture where good internal control is promoted. The Board also ensures that the systems for management and internal control are effective and suitable considering the operations conducted.

To ensure that Danske Hypotek's internal controls are updated, effective and tailored to the operations, the Board regularly evaluates, at least once a year, and when necessary, changes internal guidelines.

The Board of Directors regularly assesses the effectiveness of Danske Hypotek's framework for internal control of regulatory compliance and risk management. In addition, the entire Board constitutes the Audit Committee.

The Board is elected annually at the Annual General Meeting for the period until the next Annual General Meeting has been held.

Danske Hypotek's CEO is responsible for:
- The operating management in accordance with the Board's guidelines, policy documents and other information, as well as obligations within the scope of the CEO's duties in accordance with external regulations.
- The Board's guidelines for internal control being implemented in the operations and is thereby responsible for policy documents, instructions, procedures and process descriptions being implemented and executed in the company.
- Promoting understanding of the internal regulations and encouraging a corporate culture with a goal of good and effective control.
- Ensuring that the Board receives objective, detailed and relevant information to make well-founded decisions.
- Ensuring that the Board receives regular information on Danske Hypotek's development.

Auditors
The Annual General Meeting appoints external auditors for Danske Hypotek. The 2020 Annual General Meeting appointed Deloitte AB as the auditor with Patrick Honeth as the Auditor-in-Charge.

Risk framework
Danske Hypotek has three control functions: the Risk function, the function for regulatory compliance and the internal audit function. The control functions are permanent, they have necessary resources and are independent. In this context, independent means that:

- Employees in the control functions do not perform duties related to the operations that they monitor and control.
- The functions are organisationally separated from functions and areas they control,
- The managers for each control function report directly to the Board and are regularly present at Board meetings, and
- The method for determination of remuneration of employees in control functions does not and cannot put at risk their objectivity.

The control functions' work is regulated in steering documents and annual plans for each function. The controls shall be done regularly and continuously and identified significant deficiencies and risks shall be reported to Danske Hypotek's Board and CEO.

The Risk function
The Risk function is responsible for monitoring and reporting that all material risks that Danske Hypotek is subjected to are identified and managed by relevant functions within the company. The function also checks that Danske Hypotek's internal regulations and risk management limits are suitable and effective, and is responsible for proposing changes regarding this if necessary. The Risk function also helps the company with implementations of external requirements and regulations in the risk area and contributes to a good risk awareness in the organisation. The head of the Risk function ensures that information about Danske Hypotek's risks is regularly reported to the Board and CEO.

Regulatory compliance
The function for regulatory compliance maps which risks there are of deficient regulatory compliance in the operations and ensures that these risks are managed by relevant functions within the company. The function is responsible for control of compliance to external and internal regulations and regularly evaluates that Danske Hypotek's measures regarding regulatory compliance are suitable and effective. The function also evaluates the measures that Danske Hypotek has taken to remove deficiencies in compliance and gives advice and support to Danske Hypotek's employees, CEO and Board in terms of external and internal rules. The function regularly reports, at least once a year, to the Board and CEO.

Internal audit
Internal audit reports directly to the Board and constitutes the Board's tool for ensuring that the requirements on a sound and effective internal control are met. The function is completely organisationally separate from Danske Hypotek's other functions and operations.

Internal audit regularly reviews and evaluates that the internal control of Danske Hypotek is effective and appropriate. This includes regularly evaluating the company's risk management, compliance to internal regulations, financial information and checking the other two control functions.

The function regularly reports, at least once a year, to the Board. The reporting comprises planning, review and reporting as well as proposals on measures.

Independent inspector
According to the law regarding the issue of covered bonds, the Swedish Financial Supervisory Authority appoints an independent inspector for each issuer. The inspector's mission involves monitoring the register which the issuer is obliged to maintain for the covered bonds, the cover pool and derivative agreements and that it is properly maintained and in accordance with the provisions of the law. The Swedish Financial Supervisory Authority's regulations FFFS 2013:1 describes the role and mission of the independent inspector in greater detail. The independent inspector reports directly to the Swedish Financial Supervisory Authority.

The Swedish Financial Supervisory Authority has appointed Sussanne Sundvall, Authorized Public Accountant at PwC, as the independent inspector for Danske Hypotek.

Remuneration principles
The remuneration that Danske Hypotek offers its employees shall be such that Danske Hypotek can attract and retain competent personnel. Employees shall be offered remuneration and other benefits that are reasonable and competitive in the market in which Danske Hypotek is active.

In 2022, the cost for remuneration was SEK 295,000. Fixed remuneration consists of a monthly salary that is adapted to the market and based on the employee's posi- tion, responsibilities, expertise and performance. Danske Hypotek annually does a documented analysis with the aim of identifying employees whose work has a significant impact on the company's risk profile. Danske Hypotek shall provide information on the remuneration policy on its website. Danske Hypotek's remuneration principles are in accordance with the provisions in Regulation (EU) No 575/2013 of the European Parliament and of the Council and the Swedish Financial Supervisory Authority's regula- tions FFFS 2014:22, FFFS 2011:1 and FFFS 2020:30.

Shareholders and the Annual General Meeting
The Board and auditors are elected by the Annual General Meeting. The Board is responsible to the shareholders for Danske Hypotek's organisation and management and appointing a CEO to manage the day-to-day operations. The auditors review the financial reporting and issue an auditor's report.

Every year at the Annual General Meeting, the owners of Danske Hypotek pass resolutions appointing a Board, appointing auditors, on remuneration for Board members, adoption of the income statement and balance sheet, appropriation of profits and if the Board and CEO are granted discharged from liability for the past year.

Income statement

Amounts in SEK thousands	Note	Jan-Dec 2022	Jan-Dec 2021
Interest income calculated using the effective interest method	4	2,045,938	1,629,113
Other interest income	4	2,298,985	899,519
Interest expenses	5	-3,148,870	-1,227,423
Net interest income/expense		**1,196,053**	**1,301,209**
Fee income		283	175
Fee expenses	6	-25,205	-22,844
Net income from financial transactions	7	-69,354	-74,350
Other income	8	4,251	37,366
Total operating income		**1,106,028**	**1,241,556**
General administrative expenses	9, 10, 11	-249,417	-124,881
Other operating expenses		-438	-438
Profit before impairment charges		**856,173**	**1,116,237**
Loan impairment charges		-2,014	-14,612
Profit before tax		**854,159**	**1,101,625**
Tax for the period	12	-175,990	-226,964
Net profit for the period		**678,169**	**874,661**
Items that will not be reclassified to profit or loss		-	-
Comprehensive income for the period		**678,169**	**874,661**

Balance sheet

Amounts in SEK thousands	Note	31 Dec. 2022	31 Dec. 2021
ASSETS	25,26		
Assets			
Due from credit institutions	13	921,791	2,107,700
Lending to the public	14, 15	131,635,421	124,444,208
Bonds and other interest-bearing securities	16	4,544,311	4,259,718
Other assets	17, 18	3,822,149	397,146
Prepaid expenses and accrued income	19	34,563	19,789
TOTAL ASSETS		140,958,235	131,228,561
LIABILITIES AND EQUITY			
Liabilities	25,26		
Due to credit institutions	20	29,692,918	26,644,354
Issued bonds, etc.	21, 24	98,020,050	97,308,747
Tax liabilities		-	18,184
Other liabilities	17, 22	5,891,200	667,191
Accrued expenses and deferred income	23	139,870	54,057
Total liabilities		**133,744,038**	**124,692,533**
Equity			
Share capital		50,000	50,000
Profit/loss brought forward		6,486,028	5,611,367
Profit/loss for the period		678,169	874,661
Total equity		**7,214,197**	**6,536,028**
TOTAL EQUITY AND LIABILITIES		**140,958,235**	**131,228,561**

Statement of changes in equity

Amounts in SEK thousands

	Share capital	Profit/loss brought forward	Profit/loss for the year	Total equity
Opening balance 01/01/2022	50,000	5,611,367	874,661	6,536,028
Reversal of previous year's profit	-	874,661	-874,661	-
Profit/loss for the period	-	-	678,169	678,169
Closing balance 31/12/2022	50,000	6,486,028	**678,169**	**7,214,197**

Share capital on the balance sheet date is represented by 500,000 class A shares of a nominal SEK 100.

	Share capital	Profit/loss brought forward	Profit/loss for the year	Total equity
Opening balance 01/01/2021	50,000	4,816,043	795,324	5,661,367
Reversal of previous year's profit	-	795,324	-795,324	-
Profit/loss for the period	-	-	874,661	874,661
Closing balance 31/12/2021	50,000	5,611,367	**874,661**	**6,536,028**

Share capital on the balance sheet date is represented by 500,000 class A shares of a nominal SEK 100.

Cash flow statement

Amounts in SEK thousands	Jan.-Dec. 2022	Jan.-Dec. 2021
Operating activities		
Operating profit/loss	854,159	1,101,625
Adjustments for non-cash items, etc.	83,388	67,327
Payed taxes	-261,792	-271,785
Cash flow from operating activities before changes in working capital	**675,755**	**897,167**
Change in operating activity assets		
Change in lending to credit institutions	1,533,571	-933,120
Change in lending to the public	-7,193,227	-7,094,030
Change in other investment assets	-245,115	-169,627
Change in other assets	-3,357,360	314,847
Change in operating activity liabilities		
Change in due to/from credit institutions	3,048,564	1,242,705
Change in issued bonds	609,610	5,077,148
Change in other liabilities	5,275,865	376,292
Cash flow from operating activities	**347,663**	**-288,618**
Cash flow from investing activities	–	–
Cash flow from financing activities	–	–
Cash flow for the period	**347,663**	**-288,618**
Cash and cash equivalents at the beginning of the period	**574,128**	**862,746**
Cash and cash equivalents at end of period*	**921,791**	**574,128**

* Cash and cash equivalents consist of balances with Group companies and are included in the item lending to credit institutions.

Specifications for the cash flow statement

Cash and cash equivalents	31 Dec. 2022	31 Dec. 2021
Cash and cash equivalents consist of loans to credit institutions	921,791	574,128
Total	**921,791**	**574,129**

Interest, etc.	Jan.-Dec. 2022	Jan.-Dec. 2021
Interest received	4,330,124	2,528,308
Interest paid	-3,114,913	-1,228,899
Total	**1,215,211**	**1,299,408**

Adjustment for non-cash items	Jan.-Dec. 2022	Jan.-Dec. 2021
Loan impairment charges	2,014	14,612
Change in Accounting principle	62,215	54,515
Unrealised changes in value	19,158	-1,800
Total	**83,387**	**67,327**

Noter

Note 1 - Accounting Policies

Amount in SEK thousands unless otherwise stated. Amounts in parentheses refer to the figures for the previous year.

Danske Hypotek's annual report has been prepared in accordance with the Act 1995:1559 on the annual accounts of credit institutions and securities companies (ÅRKL), the Swedish Financial Supervisory Authority's reg- ulations and General Council FFFS 2008:25 Annual Report in credit institutions and securities companies, The Financial Reporting Council Recommendation RFR 2 Accounting for legal entities and statements by The Financial Reporting Council. In accordance with the General Council of the Swedish Financial Supervisory Authority, Danske Hypotek applies so-called statutory IFRS. This means that the international accounting standards and interpretations of these standards adopted by the EU have been applied to the extent possible within the framework of national laws and regulations and the interconnection between accounting and taxation. The reporting currency is SEK.

SIGNIFICANT REGULATORY CHANGES DURING THE YEAR
On January 1 2022 Danske Hypotek has implemented the amendments to the following standards. IFRS 37 Provisions, Contingent Liabilities and Contingent Assets. Improvements to IFRS standards 2019-2020 has been implemented. The introduction has not affected Danske Hypotek´s financial reports. Otherwise accounting principles and basis for calculation remain unchanged compared with the Annual Report for 2021.

FORTHCOMING CHANGES TO ACCOUNTING POLICIES
Accounting Standards Board (IASB) have issued one new standard, IFRS 17 Insurance Contracts, which is not applicable for Danske Hypotek. Besides that, amendments to the following standards have been issued. IAS 1 Presentation of Financial Statements, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, IAS 12 Income Taxes. The amendments have not yet entered into force, but the possibility is provided for early adoption. Danske Hypotek have not applied any of the amendments early. The changes is not expected to have any significant impact on the financial reports.

RECOGNITION OF ASSETS AND LIABILITIES IN FOREIGN CURRENCY
Transactions in foreign currencies in the nominal accounts are translated into the reporting currency on the transaction date. All assets and liabilities are valued at the reporting currency's exchange rate on the balance sheet date. Exchange rate differences are recognized in the income statement.

FINANCIAL INSTRUMENTS

RECOGNITION OF ASSETS AND LIABILITIES IN THE BALANCE SHEET
The Company only recognises a financial asset or financial liability in the balance sheet when the company becomes a party to the contractual terms of the instrument. Financial assets are recognised in the balance sheet when it is probable that the future economic benefits associated with the asset will accrue to the Company and when the asset's value or acquisition cost can be reliably measured. A financial liability is recognised in the balance sheet when it is probable that, in order to fulfill an existing obligation, the Company will have to relinquish a resource with a value that can be reliably measured.

Purchases and sales of money and capital market instruments and derivatives are recognised on the business day. Other financial assets and liabilities are normally recognised on the settlement date. Financial assets are removed from the balance sheet when the contractual rights to the cash flows arising from the asset cease or when all risks and benefits associated with the asset are transferred to others. A financial liability is removed from the balance sheet when the obligation ends.

When a loan is renegotiated or otherwise modified, the Company makes an assessment of whether the modification results in the removal of the loan from the balance sheet. A loan is considered to be modified when the conditions and provisions governing cash flows are changed compared with the original contract. Modified loans are removed from the balance sheet and a new loan is reported when the existing loan is terminated and a new agreement is concluded with substantially different conditions or if the terms of an existing agreement are substantially modified. Only modifications due to financial difficulties in the case of the borrower, including measures of distance, is not considered to be essential in itself.

OFFSET OF ASSETS AND LIABILITIES
Financial assets and liabilities are offset in the balance sheet when the Company has a contractual right to offset the items and is intended to settle the payments at the same time as a net amount.

NET INTEREST INCOME
Interest income is recognized as interest payments received and changes in the amortised cost of a loan receivable during the period, which means that an even return is obtained over the term of the loan, the so-called effective interest rate. The effective interest rate is the rate that disregards future cash flows to the gross carrying value of a financial asset. The calculation takes into account transaction costs, premiums or discounts and fees paid or received which

are an integral part of the yield. Interest income is generally calculated by applying the effective interest rate to the reported gross value of financial assets with two exceptions. When financial assets valued at amortised cost have become uncertain after the first accounting date, interest income is calculated by applying the effective interest rate on amortised cost, which is the reported gross value less reserves for credit losses. If such financial assets are no longer uncertain, the calculation of interest income will revert to the calculation of the gross carrying amount. When financial assets at amortised cost were uncertain at the first time of recognition, interest income is calculated by applying a credit-adjusted effective interest rate on amortised cost until the financial asset is removed from the balance sheet. The credit-adjusted effective interest rate is calculated based on amortised cost instead of the reported gross value and incorporates the effect of expected future credit losses on estimated future cash flows.

CLASSIFICATION AND RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

For measurement purposes, financial assets are divided into the following categories:

1. Financial assets measured at amortised cost
2. Financial assets measured at fair value through other comprehensive income
3. Financial assets measured at fair value through profit or loss

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Financial liabilities are divided into the following measurement categories:

1. Financial liabilities measured at amortised cost
2. Financial liabilities measured at fair value through profit or loss

Financial assets are found in the categories lending to the public, amounts due from credit institutions and bonds and interest-bearing securities. Financial liabilities are comprised of amounts due to credit institutions and issued securities. At initial recognition, all financial assets and liabilities are recognised at fair value. For assets and liabilities measured at fair value through profit or loss, the transaction costs are booked directly in the income statement at the time of acquisition. For other financial instruments, the transaction costs are included in the amortised cost.

Financial assets measured at amortised cost

Assets in this category mainly comprise lending to the public and credit institutions. Assets in this category are measured at amortised cost when they in accordance with the Company's business model are held to obtain contractual cash flows and the agreed conditions only pertain to repayments and interest. At the initial recognition, loans are valued at fair value, with additions to transaction costs and deductions for charges which form an integral part of the effective interest rate. This usually corresponds to the amount paid to the customer. The loans are then valued at amortized cost using the effective interest method less impairment losses for expected credit losses.

Financial assets measured at fair value through other comprehensive income

Danske Hypotek has no assets measured at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss

Assets in this category are mainly comprised of a liquidity portfolio, which mainly consists of bonds, where changes in fair value are recognised in the income statement under the item Net income from financial transactions.

Derivatives

All derivative contracts are measured at fair value. Changes in fair value are recognised in the income statement under the item Net income from financial transactions.

Financial liabilities measured at amortised cost Financial liabilities measured at amortised cost, meaning the discounted present value of future payment flows, comprise the financial liabilities not measured at fair value through profit or loss. Liabilities in this category mainly comprise issued bonds. Regarding bonds that have been bought back, the realised market value differences are recognised in their entirety in profit or loss at the time of buyback and are included in the item Net income from financial transactions.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss comprise derivative instruments.

PRINCIPLES FOR MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Fair value is defined as the price at which an asset could be sold or a liability settled in a normal transaction between independent market actors. For financial instruments traded in an active market, fair value is put on a par with the actual market price. The current market price is generally comprised of the current buy price for financial assets or current sales price for financial liabilities.

Financial instruments for which reliable information on market price is unavailable, fair value is determined using valuation models. The valuation models used are based on input data that can essentially be verified by market observations, such as market interest rates. When necessary an adjustment is done for other variables that a market actor is expected to observe in the pricing.

Danske Hypotek sets fair values for financial instruments using different methods depending on the degree of observability of market data on the valuation and activity on the market. An active market is considered to be either a regulated or reliable trading place where prices recorded are readily available and show a regularity. An ongoing assessment of the activity is carried out by analysing factors such as differences in purchase and sales rates. The methods are divided into three different valuation levels:

Level 1: Unadjusted price, consists of financial instruments that are listed on an active market. The Company uses the price recorded on the main market.

Level 2: Adjusted price, price or valuation model with valuation parameters derived from an active market but not a quoted price for the instrument itself.

Level 3: Valuation model where significant valuation parameters are not observable and hence based on internal assumptions.

Level 1 contains holdings of bonds. These instruments are valued at unadjusted quoted market prices.

Level 2 contains interest rate derivatives. Its fair value is determined by using discounted cash flows. Cash flows are discounted to the relevant valuation curve based on observable input.

Danske Hypotek has no financial instruments valued at fair value at level 3.

If the classification of a financial instrument differs from the classification at the beginning of the year, the classification of the instrument is changed. Changes are considered to have taken place on the balance sheet date. During the period, there have been no transfers of financial instruments between the various levels.

All purchases and sales of credits from and to Danske Bank A/S's Swedish branch take place at arm's length. In connection with the acquisitions, all risks and benefits associated with the credits are transferred to the buyer.

HEDGE ACCOUNTING
Danske Hypotek uses hedging of fair value for individual assets and for portfolios of financial instruments. The hedging instruments in these hedging packages consist of interest rate swaps. The hedge accounting includes that both the hedging instrument and the hedged risk in the hedged item are revalued at fair value.

Value changes are recognised directly in the income statement in the item Net profit/loss in financial transactions.

A prerequisite for applying hedge accounting is that the hedging relationship has been formally identified and documented. The efficiency of the hedge must be able to measured reliably and expected to be effective, both forward and retroactive in achieving countervailing effects in value changes.

LOAN IMPAIRMENT CHARGES
Reservations for loan impairment charges are dependent on whether the loss risk have increased since initial recognition. If the loss risk has not increased substantially, the credit reservations amount to anticipated losses in the next 12 months (stage 1). If loss risk increased substantially, or if a loan is overdue by more than 30 days, or if a loan is in default or otherwise uncertain, the credit reservations correspond to expected losses during the loan's remaining duration (stages 2 and 3).

Assets that are credit impaired in connection with issuance or purchase (purchased or originally created credit-impaired facilities, POCI), expected credit losses are reported during the remaining life of the asset.

The expected loan impairment charge is calculated individually for all engagements, as a function of probability of default (PD), exposure at default (EAD), and loss given default (LGD), and does also includes prospective factors. The assessment of expected credit losses includes predictions of future economic conditions over a period of years Such estimates are subject to the management of the company and its assessments may be tied with uncertainty, which can entail significant changes in the loan impairment charges in upcoming financial years. Forecasts of future financial conditions reflect the Company management's expectations and include three scenarios (base scenario, and improved and degraded outcome), including an assessment of the probability of each individual scenario.

The objective of using several scenarios are modelling a non-linear impact from macro-economic factors on the expected loan impairment charges. At year-end 2022 the base scenario has a 70% probability (2021: 70%), the scenarios for improved outcome has a 10% probability (2021: 10%) and degraded outcome has a 20% probability (2021: 20%). The parameters used in the scenarios are GDP, industrial production, inflation, 3-month and 10-year interest, private consumption, index for housing prices and unemployment figures.

In order to assess the expected credit loss, the Company must define what concerns a substantially increased credit risk. The Company's definition of substantially elevated credit risk, meaning when loans are transferred from stage 1 to stage 2, is when a loan's 12-month PD increases by more than 0.5 percentage points or the loan's life-long PD is then doubled at initial recognition. For credits with an original PD higher than 1%, there is a transfer to stage 2 when the loan's 12-month PD has increased by more than 2.0 percentage points or the loan's lifelong PD has doubled. In addition to this, all loans overdue more than 30 days are moved to stage 2. Loans that are in default are always placed in stage 3. In the calculation of expected loan impairment charges, default is defined in accordance with the Capital Requirements Regulation (CRR). This includes both loans that are overdue by more than 90 days and loans where it is unlikely that the customer pays and which thereby lead to regulatory default. Factors, individually or combined, such as the borrower's clear financial problems, breach of contract, or that it is probable that the borrower will enter bankruptcy also entail that the loan is transferred to stage 3.

Presentation of credit losses
Provisions for credit losses on financial assets valued at amortised cost are presented in the balance sheet as a reduction in the reported gross value of the asset. A write-off reduces the reported gross value of the financial asset. In the income statement, credit losses and disclaimers are presented as loan impairment charges. The loan impairment charges for the period consist of recorded losses and provisions for expected losses for granted credits. Recoveries and

reclaimed previously expected credit losses are recognized as income within loan impairment charges. Established loan losses are reported when the credit is sold back to Danske Bank A/S.

Pledged assets
Loans included in the Company's cover pool are regulated by the Covered Bonds Issuance Act and through the Swedish Financial Supervisory Authority regulations and general guidelines regarding covered bonds. Danske Hypotek's cover pool consists of loans granted against mortgages of real estate, mortgages of leaseholds or pledged tenant-owner rights, which are intended for residential purposes and are located in Sweden. The loan can be included in the cover pool insofar as the loan-to-value ratio is within 75% of the market value. No loan receivables that have been unsettled for more than 60 days are included in the cover pool.

REVENUE
Revenue is recognised in the income statement when it is likely that future financial benefits will be aceived and these benefits can be reliably calculated. Compensation that comprises a part of the effective interest rate for a financial instrument measured at amortised cost is allocated to periods in accordance with the effective interest method. Compensation attributable to a specific service or act is recognised as revenue in connection with the service being rendered.

Net interest income
In addition to interest income and interest expenses for financial instruments calculated according to the effective interest method, interest related to derivative instruments that hedge items whose interest flows are reported in the net interest income is reported in the net interest income. Interest income calculated using the effective interest method is reported as a separate item in the income statement. Interest income on financial assets at fair value through profit or loss is recognised under the item other interest income. The item interest expenses includes all interest expenses.

Net fee income
Income and expenses for various kinds of services are recognised in the income statement as commission income and commission expenses. Among other things, this means that reminder and claims fees are recognised as commission income and fees to market makers are recognised as commission expenses.

Net income from financial transactions
All income and expenses that arise in a measurement of financial assets and liabilities at fair value as well as realised gains and losses are recognised as net income from financial transactions.

EMPLOYEE BENEFITS
Salaries, pension expenses and other forms of direct personnel costs including social security contributions and other forms of payroll overheads are recognised as Personnel costs.

Danske Hypotek has pension commitments that are secured in the mutual pension fund, Danske Bank Sverige Filials Gemensamma Pensionsstiftelse. In Danske Hypotek, the pension obligation is calculated according to the rules of the Swedish Tryggandelagen. In the event of a deficit in the fund's assets, the company is responsible for covering its part of the deficit, which means that a pension cost is reported in the income statement in Danske Hypotek.
The Company also has defined-contribution pension plans, which are reported as current costs in connection with the payment of the premiums, and are included in the profit for the year.

TAXES
Tax expense for the period consists of current tax and deferred tax. Taxes related to taxable profit for the period or prior periods are reported as current tax. Deferred tax refers to temporary differences between the carrying amount of an asset or liability and its tax base. Tax expense is recognized in the income statement as Tax on the profit and loss for the year or in other comprehensive income or directly in Equity in the balance sheet, depending on where the underlying transaction is recognised.

SIGNIFICANT ASSESSMENTS AND ASSUMPTIONS ABOUT THE FUTURE
In some cases, the application of the Company's accounting policies means that assessments must be made that have a material impact on the amounts reported. In addition, reported amounts are affected in a number of cases by assumptions about the future. The assessments and assumptions that are made always reflect the best and most reasonable views of the Company management and are subject to continuous follow-up and review. The final outcome may differ from the carrying amounts of assets and liabilities.

The estimates and assumptions that have a material impact on the financial statements relate to the calculation of expected credit losses. The model is described in more detail in the credit losses section.

Note 2 - Risk management

Danske Hypotek identify and manage particular risks according to the ways the Company may be exposed to an adverse effects arising from these. The Company is exposed to a number of risks and manages them on various organisational levels. Danske Hypotek's risk profile is low and the main risk categories are Credit risk, Liquidity risk, Market risk and Operational risk.

Credit risks

Credit risk is defined as the risk of loss due to a counterparty not fulfilling all or parts of its payment obligation to the Company. The principal risk incurred by Danske Hypotek is credit risk on mortgage loans.

Danske Hypotek does not conduct any new lending business itself but instead acquires existing mortgage loans from Danske Bank A/S to include them in the Company´s cover pool. The Company´s cover pool includes mortgage loans for residential purposes to private customers and to owners of multi-family houses.

All acquired mortgage loans have been granted and established via Danske Bank's Swedish branch. The Danske Bank Group's prudent underwriting criteria comprises, among other things, a maximum loan-to-value ratio of 85, minimum instalment requirement, and servicing requirements on interest rates well above the actual interest rate at the time of approval and maximum debt to income ratio. If the credit risk for some reason is deemed to be elevated, the granting mandate is moved to a centrally located credit department within Danske Bank.

The Danske Bank Group grants credits on the basis of information about customers' individual financial circumstances and continuously monitors the financial situation with the aim of assessing if the customer's prerequisites have changed.

Indebtedness shall correspond to the customer's financial situation based on their income, capital and assets and the customer is deemed to have a long-term repayment capacity. The credit risk is always mitigated by adequate collateral being provided for the mortgage loans, which mitigates the risk upon a potential default. The Company's mortgage loans are in Sweden and concentrated to the metropolitan regions.

The main credit risk is accordingly identified as the risks with the borrowers' creditworthiness, their ability to pay interest and instalments and the value of pledged collateral. The credit risk is limited and is on a portfolio level low as it primarily consists of mortgage loans with low risk.

Table 1. Maximal credit exposure in the financing activities

Amounts in SEK million	31 Dec. 2022	31 Dec. 2022	31 Dec. 2021	31 Dec. 2021
	Gross amount	Net amount	Gross amount	Net amount
Due from credit institutions	922	922	2,108	2,108
Bonds and other interest-bearing securities	4,544	4,544	4,260	4,260
Derivative instruments, part of Other assets	3,351	3,351	392	392
Total	**8,817**	**8,817**	**6,760**	**6,760**

Net amounts take into consideration collateral received or other credit insurance

Table 2. Credit exposure per classification and credit step

Amounts in SEK million Classification	Credit stage 1	Credit stage 2	Credit stage 3	Credit impaired assets upon issue or acquisition	Total
1	1,671	-	-	-	1,671
2	30,156	2	-	16	30,174
3	46,886	27	3	55	46,971
4	27,012	30	-	43	27,084
5	13,417	153	-	69	13,638
6	6,088	852	21	13	6,974
7	1,354	1,959	-	12	3,325
8	126	844	1	55	1,027
9	9	156	-	-	164
10	37	101	10	-	148
11	5	2	597	4	608
Total	**126,761**	**4,125**	**633**	**266**	**131,785**
Reserve for expected loan impairment charges	**27**	**71**	**50**	**1,5**	**149,5**
Book value	**126,734**	**4,054**	**583**	**265**	**131,635**

Customer classification
The Danske Bank Group applies customer classification models as an important tool in the credit process. The purpose of the classification is to rank the customers based on a risk level and estimate every customer's probability of default (PD). As a part of the credit process, the classification is updated continuously and upon new significant information about the customer. The Group has developed a number of classification models for assessment of the customer's PD and to divide the customers into different segments. Private customers are classified through scoring models. Business customers are classified via rating models.

The customer classification model divides the customers into 11 categories, where category 1 is the most credit worthy and category 11 represents customers that have defaulted.

At the end of 2022, the average PD for private customers was 0.25 percent (0.20) and 0.5 percent (n/a) for business customers.

Collateral
The primary method for mitigating credit risk is to ensure that adequate collateral is obtained for the respective mortgage loan. The Company's mortgage portfolio mainly consists of mortgages secured by single-family houses and tenant-owner rights to private customers and to business customers mortgages secured by multi-family houses. The collateral comprises to 57 percent (58) of single-family houses, to 40 percent (42) of tenant-owner rights and to 3 percent (0) of multi-family houses.

The market value of collateral is monitored and evaluated continuously by either internal or external appraisers, or by automatic valuation models. The automatic valuation model evaluates and updates the collateral value quarterly. The Group regularly evaluates the validity of the external data on which the valuation models build and the models are validated annually. Regardless of the valuation method, all collateral values are updated at least annually.

For the cover pool, the weighted average loan-to-value ratio was 59 percent (54) at 31 December 2022. The average loan-to-value has increased following the decreasing house prices during the year.

Counterparty risk
Derivative instruments are also comprised of credit risk. Counterparty risk is the risk of a financial loss on a derivative transaction due to default by the counterparty. As such, counterparty risk arises as a combination of credit risk (downgrading of the counterparty's credit rating) and market risk (the potential value of the derivative contract). The financial loss is the replacement cost, i.e. the cost to replace an existing transaction with a new transaction with similar characteristics, but at current market prices.

Counterparty risk arises for the derivatives and repo contracts that the Company enters into to manage its financial risks. All risks that originate from derivatives and repo contracts are limited insofar as possible by covered ISDA and GMRA agreements with the respective counterparties. The respective contracts are offset before collateral is exchanged. This means that the Company is exposed to as low a risk as possible. For more information on Derivatives, see Note 17.

Table 3. Credit exposure based on classification.
The mortgage loan portfolio amounted to SEK 131 635 million as of 31 December 2022. Reserves for expected credit losses amounted to SEK 149.5 (94.1) million.

Amounts in SEK million	PD		
Classification	Lower	Upper	Exposure
1	-	0.01	1,670,7
2	0.01	0.03	139,7
3	0.03	0.06	564,4
4	0.06	0.14	30,503,0
5	0.14	0.31	46,811,1
6	0.31	0.63	26,990,3
7	0.63	1.90	13,587,2
8	1.90	7.98	6,934,5
9	7.98	25.70	3,295,3
10	25.70	99.99	982,8
11 (default)	100.00	100.00	156,5
Total exponering			**131,635,4**

Table 4. Receivables with overdue amounts

Amounts in SEK million	2022	2021
6-30 days	-	-
31-60 days	0.29	0.10
> 60 days	0.13	-
Total past due amounts	**0.42**	**0.10**
Total due under loans	**47.86**	**29.70**

At end 2022 total past due amounts was 0.42 million. The total outstanding loan exposure with past due amounts was 47.86 million.

The table above shows outstanding past due amounts. A past due loan is defined as a loan that has not been paid five days after the due date. The total outstanding amount with a past due payment of more than five days amounted to SEK 47.9 million (29.7).

Expected credit losses
Changed assumptions on expected credit losses, where updated negative expectations on the future and probability weighted economic development have been made, are driving the increase in the expected credit losses during the year. Largest impact comes from negative expectations on the macro variables house prices, un-employment and the future interest rate development. Deteriorating forward looking assumptions have been applied to all three underlying macro scenarios in regards to these macro variables.
At the end of 2022, Danske Hypotek had a reserve for expected credit losses totaling SEK 149.5 million (94.1).

Impaired loans
Within the Group, impaired loans are defined as credit step 3 exposure. At the end of 2022, exposure in step 3 classified loans amounted to SEK 583 million (897).

Forbearance practices
Within the Group, customers can under certain circumstances be granted adjusted loan terms as a result of financial difficulties, such as if a customer has become unemployed.

Adjusted loan terms are mainly granted if the customer's problems are considered to be temporary, but a restructuring can also be granted if it is considered necessary to limit the Group's losses on an exposure. Shorter and temporary payment deferment can also be a part of adjusted loan terms.

Customers with adjusted loan terms will be downgraded to a lower classification. When the customer again can manage to cover the loan without adjusted loan terms, the customer will, after a certain monitoring period, no longer be considered to have objective evidence for a loss event. The customer can then be upgraded to a better classification again.

At the end of 2022, Danske Hypotek had a total exposure with loans subject to forbearance measures of SEK 418 million (1,324.5). This includes customers under probation that no longer are considered credit impaired. No modification gains or losses have been made as part of the forbearance measures.

Concentration risk
Concentration risk refers to outstanding individual exposure in relation to the capital base. No large exposures over 20 % of the Company's capital base are accepted within the Company's operations after taking consideration of exemptions according to CRR.

Concentration risk and the exposure towards individual counterparties are analysed and monitored on an ongoing basis. The capital requirement for concentration risk is evaluated on an ongoing basis and the risk is quantified as part of the capital requirement under Pillar 2 (Note 3).

At the end of 2021, there were no exposures in excess of 10 % after taking consideration of exemptions according to CRR.

Market risk
Market risk is the risk of loss due to unfavourable changes in financial market rates or prices. As the Company principally has liabilities and assets in SEK, there is thereby no currency risk and the market risk in the Company consists mainly of interest-rate risk. The strategy is to interest hedge all material exposure through swaps with Danske Bank and thereby keep the risks at a low level and within the limits set by the Company's Board. A parallel shift of the interest rate curve by one percentage point yields an earnings impact of SEK 28 million (49). For additional information about exposures and hedging of interest rate risk, see Note 17.

Operational risk
Non-financial risk refers to the risk of losses as a result of unsuitable or failed processes, people, systems or external events, including legal risk. Non-financial risk events refer to events caused by operational risk that may have caused a financial loss (a loss event) or that may have had a regulatory risk, reputation or customer impact (a non-financial event) or that may have caused a loss that was quickly recovered or could have caused a loss that was not realised (a near-miss event).

Non-financial risk can arise in all activities. Danske Hypotek is exposed to operational risk, mainly in outsourced activities and processes. Non-financial risk can also arise in changes in internal processes, personnel and systems and changes in the external surroundings. Risks are prioritised for management based on materiality. Danske Hypotek continuously works to develop the risk culture, methods, tools and procedures to effectively and proactively manage non-financial risk.

Danske Hypotek uses the standardised approach for quantifying the capital requirement for non-financial risk.

Liquidity risk
Liquidity risk is the risk that the Company does not have adequate financial resources on the short term to meet its obligations when they fall due for payment, or that the Company can have access to these resources only at high expense.

The Company strives to limit liquidity risk to the furthest possible extent. This is mainly done by the Company holding a portfolio consisting of high-quality liquid assets. Continuous stress tests guarantee that the Company has adequate capacity to be able to meet its payment obligations even in the extreme scenario. The liquidity risk is also kept at low levels through risk limits adopted by the Company's Board of Directors.

At the end of 2022, the Company had a liquidity portfolio that amounted to SEK 4,544 million (4,260) and the Company's liquidity coverage ratio amounted to 3 085 percent (628).

Table 5. Risk management – Liquidity risk

	2022				
Amounts in SEK million	< 3 months	3-12 months	1-5 years	>5 years	Total
ASSETS					
Due from credit institutions	922	-	-	-	922
Lending to the public	43,689	13,112	75,903	2,228	134,932
Bonds and other interest-bearing securities	775	530	3,395	-	4,700
Other assets	425	-	-	-	425
Total financial assets	**45,811**	**13,642**	**79,298**	**2,228**	**140,979**
LIABILITIES					
Due to credit institutions	83,29	-	29,600	9,63	29,693
Issued bonds, etc.	-	22,456	74,650	7,450	104,556
Other liabilities	130	-	-	-	130
Total financial liabilities	**213**	**22,456**	**104,250**	**7,460**	**134,379**
	2021				
Amounts in SEK million	< 3 months	3-12 months	1-5 years	>5 years	Total
ASSETS					
Due from credit institutions	2,107	-	-	-	2,107
Lending to the public	33,870	15,258	73,028	1,800	123,956
Bonds and other interest-bearing securities	170	-	3,805	225	4,200
Other assets	20	-	-	-	20
Total financial assets	**36,167**	**15,258**	**76,833**	**2,025**	**130,283**
LIABILITIES					
Due to credit institutions	1,535	-	25,100	10	26,645
Issued bonds, etc.	-	18,851	69,200	8,500	96,551
Other liabilities	52	-	-	-	52
Total financial liabilities	**1,587**	**18,851**	**94,300**	**8,510**	**123,248**

Table 6. Liquidity coverage ratio

Amounts in SEK million	31 Dec. 2022	31 Dec. 2021
Total high-quality liquid assets	4,370	4,790
Total net cash outflows	142	763
Liquidity coverage ratio	**3,085%**	**628%**

Table 7. Net stable funding ratio

Amounts in SEK million	31 Dec. 2022	31 Dec. 2021
Total available stable funding	124,261	119,084
Total required stable funding	103,275	98,036
Net stable funding ratio	**120%**	**121%**

Note 3 - Capital adequacy

Capital management

The objective of capital management is to ensure effective capital use in relation to risk tolerance and development of the business. Danske Hypotek must have adequate capital for following statutory capital requirements.

Publication of the company's capital management takes place in accordance with the Swedish Financial Supervisory Authority regulatory code (FFFS 2014:12, chapter 8) and the regulations for Danske Hypotek's capital management are rooted in the Capital Requirements Regulation (CRR EU 575/2013) and the Capital Requirements Directive (CRD EU 36/2013), which can be divided into three pillars:

- Pillar 1 contains a set of mathematical formulas for calculations of risk exposure amounts for credit risk, market risk and operational risk. The minimum capital requirement is 8 % of the total risk exposure amount.
- Pillar 2 contains the framework for the content of the Internal Capital Adequacy Assessment Process (ICAAP), including identification of the credit institutions' risks, calculation of capital requirements and stress testing.
- Pillar 3 is about market discipline and states disclosure requirements for risk and capital management.

Further periodic information in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and Commission Implementing Reguation (EU) No 2021/637 is available at https://danskehypotek.se/financial-information

While Pillar 1 entails the calculation of risks and capital requirements based on uniform rules for all credit institutions, Internal Adequacy Assessment Process (ICAAP), under Pillar 2, takes consideration of the individual characteristics of a specific institute and comprises all relevant risk types, including risks not covered by Pillar 1.

Description of Capital

- Common Equity Tier 1 capital (CET1 capital) consists of equity after certain statutory supplements and deductions.
- Tier 1 capital consists of loans included in the Tier 1 capital. This means that it can be used to cover a loss of equity.
- Tier 2 capital consists of subordinated liabilities with certain limitations.
- Total capital consists of CET1 capital, Tier 1 capital and Tier 2 capital less certain items.

As at 31 December 2022, Danske Hypotek's capital base was SEK 7,185 million and only of CET1 capital alongside of a smaller amount as an adjustment of expected loan impair- ment charges. Reviewed Net profit for 2022 is included in the capital base.

Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP)

As a part of ICLAAP, Danske Hypotek assesses its total capital and liquidity requirement based on internal models and makes sure to use the right risk management systems. ICLAAP also includes capital planning to ensure that Danske Hypotek always has adequate capital and liquidity to support the chosen strategy. Stress testing is an important tool used for capital planning. Danske Hypotek's total capital require- ments were SEK 4,852 million as at 31 December 2022. As the capital base was SEK 7,185 million, the Company has a large capital surplus.

Total capital requirements and solvency need

According to Swedish legislation, every credit institution must show capital requirements and capital adequacy. The capital requirement is the total capital's size, type and composition necessary to cover the risks that an institution is exposed to. Danske Hypotek uses the internal ratingsbased (IRB) approach to calculate the risk exposure amount for credit risks for household customers; for other exposures, standard methods are used. Banks that use the advanced approaches for calculating credit risk are subject to limits on the reduction of their capital requirements. The risk weight floor for mortgage loans is an example of this.

Combined buffer requirement

CRD IV introduced buffer requirements that apply besides the capital requirement. In Sweden, these requirements must be met before they are completely phased in in 2019. The buffer requirements consist of a countercyclical capital buffer, a capital conservation buffer and an system risk buffer. The capital conservation buffer and the countercyclical capital buffer is designed to ensure that credit institutions accumulate an adequate capital base during periods of economic growth to be able to absorb losses during periods of stress. The capital conservation buffer is 2.5 % and the countercyclical capital buffer is 1.0 after the increased in September 2022. Danske Hypotek has no system risk buffer as it is not a systemically important financial institution.

Leverage ratio

The leverage ratio is defined as Tier 1 capital as a percentage of total exposure calculated in accordance with CRR. The leverage ratio does not take into account that different items in the credit institutions balance sheets may have different degrees of risk. The leverage ratio on 31 December 2022 were 5.1 %. A legal requirement of 3 % leverage ratio was implemented June 28 2021.

Large exposures

Large exposures are defined as exposures amounting to at least 10 % of the total capital after deduction of particularly secure claims. At the end of 2022, Danske Hypotek had no exposures that exceeded 10 % of its total capital.

Credit risks

Danske Hypotek targets mortgage loan customers in Sweden. Danske Hypotek's main segment is loans for household customers. The credit risk on a mortgage loan essentially originates from two factors: the risk that the borrower cannot repay the loan and the expected loss if the customer cannot repay the loan, which largely depends on the value of the property collateral. These two factors are generally designated with the abbreviations "PD" (probability of default) and "LGD" (loss given default). The higher PD and LGD, the higher risk a loan entails. The property value is determined automatically in a property appraisal model. This property appraisal model is regularly checked and subjected to annual validation.

The credit process widely builds on the two above-mentioned components and the size of the loan.

When the Danske Bank Group assesses that there is a high credit risk, the credit granting process will be assigned to the central credit department. A high credit risk may arise for less financially strong customers (high PD), but it may also be due to expectations of a high LGD if the credit entails a property type that is hard to sell and may lose a lot of its value if it must be sold in a forced sale.

Danske Bank applies customer classification models as a key tool in decisions on whether or not the loan shall be granted.

Depending on the customer's loan type and customer type, the customers are classified using rating models or so-called statistical scoring models. For a corporate customer, the rating models usually build on the customer's full-year report, industry information and an assessment of the company's situation in terms of management and competitiveness. A rating expert and a credit manager assess the credit worthiness in the central credit department before it is determined. The customer's rating is translated to a PD.

Market risk

Market risk is the risk of losses since the fair value of financial assets, liabilities and items off the balance sheet vary with the market conditions. Danske Hypotek calculates, monitors and reports regularly on these risks and only has limited market risk.

Operational risk

Operational risk is defined as the risk of losses as a result of inadequate or failing internal prices, people, systems or outer events and also includes legal risk. Danske Hypotek uses the standardised method for calculating operational risk.

Risk exposure amounts and risk weights

Amounts in SEK million	31 Dec. 2022		31 Dec. 2021	
	Risk exposure amount	Average risk weight (%)	Risk exposure amount	Average risk weight (%)
Credit risks				
Institutions	–	–	–	–
Corporate customers	–	–	–	–
Household exposure	10,370	8	7,152	6
Advanced IRB method, total	10,370	8	7,152	6
Institutions	712	36	378	29
Corporate customers	1,751	31	67	37
Household exposure	64	46	–	–
Standardised method for credit risk, total	2,527	32	445	33
Additional risk weight amounts as per Article 458 (risk weight floor for Swedish mortgage loans)	21,800		23,876	
Credit risk, total	34,697	25	31,473	25
Counterparty risk, total	516	50	2,465	50
Market risk, total	–		–	
Operational risk, total	1,712		1,670	
Total risk exposure amount, REA	36,925		35,608	

Capital requirement

Amounts in SEK million	31 Dec. 2022	31 Dec. 2021
Capital requirment (8% av REA)	**2,954**	**2,849**
Pillar 2 add-ons		
Credit Concentration risk add-on	160	148
Interest rate risk in banking book (IRRBB)	385	198
Information and communication technology risks (ICT)	59	59
Total Pillar 2 add-ons	**604**	**405**
Buffer requirements, % of REA		
Capital conservation buffer	2,50%	2.50%
Countercyclical capital buffer	1,00%	0.00%
Combined buffer requirement	3,50%	2.50%
Buffer requirements, SEK m	**1 294**	**890**
Capital requirement including combined buffer	**4 852**	**4,144**
Capital ratio including combined buffer	**13,1%**	**11.6%**
Excess total capital, %	6,4%	6.7%
Excess total capital, SEK m	2,333	2,376

Capital

Amounts in SEK million	31 Dec. 2022	31 Dec. 2021
Share capital	50	50
Shareholders´ contribution	3,400	3,400
Retained earnings	3,086	2,211
Net profit for the period	678	875
CET1 capital before legislative adjustments	7,214	6,536
Further value adjustments	-18	-7
Negative amounts as a result of calculation of expected loss amounts	-11	-9
Other legislative adjustments	-	-
CET1 capital	**7,185**	**6,520**
Tier 1 capital contribution: Instruments and provisions	-	-
Tier 1 capital contribution: Legislative adjustments	-	-
Tier 1 capital	**7,185**	**6,520**
Tier 2 capital	-	-
Positive amounts as a result of calculation of expected loss amounts	-	-
Other legislative adjustments	-	-
Total capital	**7,185**	**6,520**
Total risk-weighted assets	**36,925**	**35,608**
CET1 capital (as a percentage of the risk-weighted exposure amount)	19,5%	18,3%
Tier 1 capital (as a percentage of the risk-weighted exposure amount)	19,5%	18,3%
Total capital (as a percentage of the risk-weighted exposure amount)	19,5%	18,3%

Leverage ratio

Amounts in SEK million	31 Dec. 2022	31 Dec. 2021
Leverage ratio		
Total exposure for leverage ratio calculation	139,837	135,876
- of which derivatives	2,253	5,052
- of which securities	4,544	4,260
- of which items off the balance sheet	–	-
Tier 1 capital (transitional rules)	**7,185**	**6,520**
Leverage ratio, (%)	**5,1%**	**4,8 %**
Leverage ratio	3,0%	3,0 %

Note 4 - Interest income

Amounts in SEK thousands	Jan-Dec 2022	Jan-Dec 2021
Lending to the public	2,015,496	1,628,391
Liabilities to foreign credit institutions - Group companies	30,442	722
Interest-bearing securities - bonds	305,164	485,336
Interest-bearing securities - underlying derivative instruments	1,991,903	413,282
Other interest income	1,918	901
Total	**4,344,923**	**2,528,632**

Note 5 - Interest expenses

Amounts in SEK thousands	Jan-Dec 2022	Jan-Dec 2021
Balances with foreign credit institutions - Group companies	-310,385	-56,829
Interest-bearing securities - bonds	-1,010,769	-978,263
Interest-bearing securities - underlying derivative instruments	-1,827,023	-191,771
Other interest expenses	-693	-560
Total	**-3,148,870**	**-1,227,423**

Note 6 - Fee expenses

Amounts in SEK thousands	Jan-Dec 2022	Jan-Dec 2021
Activity-based fee expenses		
Securities commissions	-219	-216
Payment brokerage commissions	-	-
Other commissions	-20,755	-18,440
	-20,974	-18,656
Portfolio-based fee expenses		
Securities commissions	-481	-438
Other commissions	-3,750	-3,750
	-4,231	-4,188
Summa	**-25,205**	**-22,844**

Note 7 - Net income from financial transactions

Amounts in SEK thousands	Jan-Dec 2022	Jan-Dec 2021
Capital gains/losses		
Interest-bearing securities	-9,096	-32,538
Other financial instruments, derivatives	1,956	14,937
Currency	0	1
	-7,140	-17,600
Unrealised changes in value		
Interest-bearing securities	-101,692	-58,986
Other financial instruments, derivatives	39,478	2,236
	-62,214	-56,750
Total	**-69,354**	**-74,350**

Note 8 - Other income

Amounts in SEK thousands	Jan-Dec 2022	Jan-Dec 2021
Services performed for Group companies	4,251	37,366
Total	**4,251**	**37,366**

Note 9 - Administration expenses

Amounts in SEK thousands	Jan-Dec 2022	Jan-Dec 2021
Personnel costs	-11,724	-10,758
Purchase of administrative services	-139,248	-71,162
Risk Tax	-48,700	-
Resolution fee	-38,463	-36,582
Other expenses	-11,282	-6,379
Total	**-249,417**	**-124,881**
Specification Personnel costs		
Salaries and remuneration	-6,219	-6,217
Bonus costs	-295	-275
Social security contributions	-2,152	-2,067
Pension expenses	-2,934	-2,165
Other personnel costs	-124	-34
Total	**-11,724**	**-10,758**

Note 10 - Employees and personnel costs

Average number of employees

	Jan-Dec 2022	Of which men	Jan-Dec 2021	Of which men
Sweden	6	5	6	5
Total	**6**	**5**	**6**	**5**

Gender distribution in company management

	Jan-Dec. 2022	Jan-Dec. 2021
Proportion of women		
Board	57%	43%
Other executives	17%	14%

Salaries, other benefits and social security expenses, including pension expenses

Amounts in SEK thousands	Jan-Dec 2022	Jan-Dec 2021
Chief Executive Officer	1,519	1,444
of which bonus and similar compensation to the CEO	41	27
Board member, Extern	150	150
of which bonus and similar compensation to the Board	-	-
Other employees	4,845	4,898
Total	**6,514**	**6,492**
Social security expenses	2,152	2,067
Pension expenses	2,934	2,165
Information on severance pay to CEO	6 months' salary	6 months' salary

The Board and CEO comprise seven (seven) people. No remuneration was paid to Board members employed in the Danske Bank Group.

Other benefits

Amounts in SEK thousands	Jan-Dec 2022	Jan-Dec 2021
Chief Executive Officer	87	49
Board	-	-

Loans to CEO and Board

Amounts in SEK thousands	31 Dec. 2022	31 Dec. 2021
CEO and Board	37,548	31,071
Information on assets pledged, etc. and amounts for which collateral provided	37,923	31,447

Lånevillkor och räntesatser följer Danske Bank koncernens normala villkor för personalkrediter.

Pension expenses for CEO and the Board

Amounts in SEK thousands	31 Dec. 2022	31 Dec. 2021
Chief Executive Officer	372	379
Board	-	-
Total	372	379

The company's obligations regarding pension commitments for the CEO are secured through a defined-contribution plan and recognised as a running cost in net profit for the year.

Note 11 - Remuneration and expense reimbursement for auditors

Amounts in SEK thousands	Jan-Dec 2022	Jan-Dec 2021
Deloitte AB		
Audit engagement	1,246	836
Other auditing activities	-	-
Total	**1,246**	**836**

Audit assignments refers to the remuneration of the auditor for the statutory audit. This work includes the audit of the annual report as well as the accounting, the Board's and CEO's management and remuneration for audit advice that was provided in connection with the audit assignment.

Note 12 - Tax on net profit for the year

Amounts in SEK thousands	Jan-Dec 2022	Jan-Dec 2021
Current tax expense	-175,990	-226,964
Deferred tax	-	-
Tax on profit/loss for the period	-175,990	-226,964

Reconciliation of effective tax

Amounts in SEK thousands	Jan-Dec 2022	Jan-Dec 2021
Profit/loss before tax	854,158	1,101,625
Tax according to applicable tax rate 20.6%	175,957	226,935
Non-deductible expenses, tax effect	33	34
Correction, previous year's tax	-	-5
Reported effective tax	-175,990	-226,964

Note 13 - Due from credit institutions

Amounts in SEK thousands	31 Dec 2022	31 Dec 2021
Lending in SEK		
Foreign credit institutions, Group companies	921,791	2,107,700
Total	**921,791**	**2,107,700**
Average balance, loans to credit institutions, Group companies	4,021,333	4,854,556

The total amount Due from credit institutions refers to deposits with the Parent Company. Expected loan impairment charges have not been recognised as they are not consider to be material..

Note 14 - Lending to the public

Amounts in SEK thousands	31 Dec 2022	31 Dec 2021
Lending in SEK		
Swedish households excl. sole proprietors	121,010,713	120,210,364
Swedish sole proprietors	5,015,481	4,327,947
Swedish non-financial companies	5,758,708	-
Total	**131,784,902**	**124,538,311**
Reserve for expected loan impairment charges in SEK		
Swedish households excl. sole proprietors	-103,621	-79,807
Swedish sole proprietors	-26,379	-14,296
Swedish non-financial companies	-19,481	-
Total	**-149,481**	**-94,103**
Lending at accrued acquisition value, gross	131,784,903	124,538,311
Reserve for expected loan impairment charges (credit stage 1-3)	-149,482	-94,103
Total	**131,635,421**	**124,444,208**
Average balance, lending to the public	133,844,469	119,565,302

Note 15 - Lending to the public

Amounts in SEK thousands	31 Dec. 2022	31 Dec. 2021
Credit stage 1		
Recognised gross amount	127,031,760	120,559,393
Reserve for expected credit losses	-27,147	-16,226
Book value	127,004,613	120,543,167
Credit stage 2		
Recognised gross amount	4,125,125	3,081,479
Reserve for expected credit losses	-73,181	-39,634
Book value	4,051,944	3,041,845
Credit stage 3		
Recognised gross amount	628,017	897,439
Reserve for expected credit losses	-49,153	-38,244
Book value	578,864	859,195
Recognised gross amount (credit stage 1-3)	131,784,902	124,538,311
Reserve for expected credit losses (credit stage 1-3)	-149,481	-94,104
Total	**131,635,421**	**124,444,208**

Credit stage 1: Refers to expected loan impairment losses on possible defaults within the next 12 months.
Credit stage 2: Refers to expected loan impairment losses on possible defaults during the remaining lifetime. Refers to loans where there has been a significant increase of the credit risk since initial recognition.
Credit stage 3: Refers to expected loan impairment losses on possible defaults during the remaining lifetime. Refers to loans where repayment and interest have not been paid in more than 90 days, and loans deemed to be in default. Factors, individually or combined, such as the borrower's clear financial problems, breach of contract, or that it is probable that the borrower will enter bankruptcy also entail that the loan is transferred to stage .

2022

Amounts in SEK thousands	Credit stage 1	Credit stage 2	Credit stage 3	Total
Opening balance for credit reservations, 1 January 2022	16,226	39,634	38,244	94,104
Transferred to credit stage 1	33,123	-18,343	-14,780	0
Transferred to credit stage 2	-1,597	8,607	-7,010	0
Transferred to credit stage 3	-109	-4,377	4,486	0
Impairment charges for new loan receivables	-12,864	-1,640	151	-14,353
Impairment charges for removed loan receivables	-13,638	-6,064	-2,535	-22,237
Impact of net remeasurement of exprected credit losses	-31,816	35,185	35,928	39,296
Write offs debited to the allowance account	-	-	-	-
Impact of modified allowance account	-	-	-	-
Foreigh exchange adjustments	-	-	-	-
Other changes	37,884	17,882	-3,095	52,671
Total impairment charges, 31 december 2022	27,209	70,884	51,389	149,482

"Impact of net remeasurement of exprected credit losses" includes changes due to adjusted assumptions and macro scenarios.
No model changes during 2022.
"Other changes" relates to expected credit losses at the time of purchase, for loans acquired during the year.

2021

Amounts in SEK thousands	Credit stage 1	Credit stage 2	Credit stage 3	Total
Opening balance for credit reservations, 1 January 2022	8,098	55,942	6,732	70,772
Transferred to credit stage 1	23,640	-22,970	-670	0
Transferred to credit stage 2	-413	2,605	-2,192	0
Transferred to credit stage 3	-117	-12,126	12,243	0
Impairment charges for new loan receivables	-8,311	208	12	-8,091
Impairment charges for removed loan receivables	-1,454	-6,361	-210	-8,024
Impact of net remeasurement of exprected credit losses	-20,345	19,673	28,960	28,287
Write offs debited to the allowance account	-	-	-	-
Impact of modified allowance account	-	-	-	-
Foreigh exchange adjustments	-	-	-	-
Other changes	15,070	2,722	-6,632	11,160
Total impairment charges, 31 december 2021	16,168	39,693	38,243	94,104

"Impact of net remeasurement of exprected credit losses" includes changes due to adjusted assumptions and macro scenarios.
"Other changes" relates to expected credit losses at the time of purchase, for loans acquired during the year.

Amounts in SEK thousands	31 Dec 2022	31 Dec 2022	31 Dec 2021	31 Dec 2021
Loan-to-value ratio (LTV)	Gross amount	Impairment charge	Gross amount	Impairment charge
Less than 50%	104,233,143	3,654	105,250,102	1,403
51 - 70%	19,095,253	11	15,161,997	581
71 - 90%	6,220,833	22	3,336,402	-
91 - 100%	767,419	-	263,999	-
More than 100%	1,468,255	145,796	525,811	92,120
Total	**131,784,903**	**149,482**	**124,538,311**	**94,104**

At the time of loan origination, a maximum loan to value of 85% is applied. If the value of the collateral decreases, the loan to value can exceed 85%.

Note 16 - Bonds and other interest-bearing securities

Amounts in SEK thousands	31 Dec. 2022	31 Dec. 2021
Current assets		
Swedish municipalities and county councils	1,517,859	1,759,602
Other Swedish financial companies	2,490,718	1,945,382
Other foreign issuers	535,734	554,734
Total	**4,544,311**	**4,259,718**

	Fair value	Nominal value	Fair value	Nominal value
Swedish municipalities and county councils	1,517,859	1,570,000	1,759,602	1,740,000
Other Swedish financial companies	2,490,718	2,580,000	1,945,382	1,910,000
Other foreign issuers	535,734	550,000	554,734	550,000
Total	4,544,311	4,700,000	4,259,718	4,200,000

Note 17 - Financial instruments

Amounts in SEK thousands	Nominal amount 2022	Carrying amount of hedging derivative: Positive market values 2022	Negative market values 2022	Nominal amount 2021	Carrying amount of hedging derivative: Positive market values 2021	Negative market values 2021
Interest swaps	241,519,860	3,350,887	5,887,972	236,348,470	391,980	664,374
Other	-	-	-	-	-	-
Total	**241,519,860**	**3,350,887**	**5,887,972**	**236,348,470**	**391,980**	**664,374**
Currency distribution of market values SEK		3,350,887	5,887,972		391,980	664,374

Hedge accounting

Hedging derivative	Nominal amount	Carrying amount of the hedging derivative: Assets	Liabilities	Change in fair value for the calculation of the hedging efficiency
Interest swaps, 2022	194,095,456	3,202,356	5,885,466	-2,411,986
Interest swaps, 2021	199,129,285	375,218	651,677	-757,149

Fixed interest-rate risk that has been hedged	Carrying amount of hedged items: Assets	Liabilities	Change in fair value included in book value of the hedged items: Assets	Liabilities	Change in fair value for the calculation of the hedging efficiency
2022					
Loan	85,000,149	-	-3,147,307	-	-2,937,458
Issued bonds	-	98,808,647	-	-5,747,353	5,309,284
Total, 2022	**85,000,149**	**98,808,647**	**-3,147,307**	**-5,747,353**	**2,371,826**
2021					
Loan	90,264,294	-	-209,849	-	-360,776
Issued bonds	-	96,112,931	-	-438,069	1,108,362
Total, 2021	**90,264,294**	**96,112,931**	**-209,849**	**-438,069**	**747,586**

Effect on profit of interest rate hedging	Jan-Dec 2022	Jan-Dec 2021
Effect of fixed-rate assets hedging on profit		
Hedged loans	-2,937,457	-360,777
Hedging derivatives	2,875,477	354,427
Total	**-61,980**	**-6,350**
Effect of fixed-rate liability hedging on profit		
Hedged issued bonds	5,309,284	1,108,362
Hedging derivatives	-5,287,463	-1,111,576
Total	**21,821**	**-3,214**

The nominal value of the underlying instruments	<1 years	1-5 years	< 5 years
Remaining maturity 2022	23,344,000	83,128,672	87,622,784

Interest-rate risk arises in the lending portfolio for loans with fixed interest for 1-5 years. Interest-rate risk for issued bonds arises when the interest on the bonds is fixed. Hedge accounting takes place at fair value through interest-rate swaps. Hedging pertains to interest-rate risk in the lending portfolio where fixed interest of 1-5 years is swapped to 3-month stibor, and issued bonds where fixed interest is swapped to 3-months stibor. The effectiveness of the hedge accounting is measured on multiple occasions to ensure that changes in fair value of the hedged instruments are within an interval of 80-125% of the change in fair value of the hedging derivative. The hedge effectiveness is affected by a change in fair value of the hedged instruments being measured in accordance with the relevant interest rate curve for the hedged instruments, while changes in fair value of the hedging derivatives are based on a swap curve. Adjustment of the portfolio with hedging instruments does not take place immediately, in connection with changes in the hedged items, which means that some inefficiency can arise in the hedge accounting.

Note 18 - Other assets

Amounts in SEK thousands	31 Dec 2022	31 Dec 2021
Derivatives	3,350,887	391,980
Other receivables	13,190	5,166
Other claim, Group companies	390,454	-
Tax account	67,618	-
Total	**3,822,149**	**397,146**

Note 19 - Prepaid expenses and accrued income

Amounts in SEK thousands	31 Dec 2022	31 Dec 2021
Interest	34,407	19,607
Personnel costs	156	182
Total	**34,563**	**19,789**

Note 20 - Due to credit institutions

Amounts in SEK thousands	31 Dec 2022	31 Dec 2021
Liabilities in SEK		
Foreign credit institutions, Group companies	29,691,927	26,644,281
Foreign currency liabilities (EUR)		
Foreign credit institutions, Group companies	991	73
Total	**29,692,918**	**26,644,353**
Average balance, due to credit institutions	29,215,033	20,947,843

Note 21 - Issued bonds, etc.

Amounts in SEK thousands	31 Dec 2022	31 Dec 2021
Bonds in SEK	104,556,000	96,551,000
Total nominal value	**104,556,000**	**96,551,000**
Bonds in SEK	98,020,050	97,308,747
Total carrying amount	**98,020,050**	**97,308,747**
of which at amortised cost	103,767,403	97,746,816
Average balance issued bonds in SEK	102,043,689	101,245,104
Issued bonds at the end of the period	97,308,747	92,231,599
Nominal value issued during the year	27,300,000	25,500,000
Buy backs	-19,295,000	-19,295,000
Premium/discount	-1,982,815	-19,719
Hedging of interest-rate risk at current value	-5,310,882	-1,108,133
Issued bonds at the end of the period	**98,020,050**	**97,308,747**

Bond list, covered bonds in SEK thousands

31 Dec 2022

Loan no.	Interest terms, %	Loan date	Interest date	Maturity date	Outstanding amount
DH2312	1%	2018-04-25	20 december	2023-12-20	22,456,000
DH2412	1%	2019-05-23	18 december	2024-12-18	23,750,000
DH2512	1%	2020-05-12	17 december	2025-12-17	23,050,000
DH2612	0,5%	2021-06-02	16 december	2026-12-16	27,850,000
DH2712	3,5%	2022-09-09	15 december	2027-12-15*	7,450,000
* Extended maturity					**104,556,000**

31 Dec 2021

Loan no.	Interest terms, %	Loan date	Interest date	Maturity date	Outstanding amount
DH2212	1%	2017-08-29	21 december	2022-12-21	18,851,000
DH2312	1%	2018-04-25	20 december	2023-12-20	22,900,000
DH2412	1%	2019-05-23	18 december	2024-12-18	23,750,000
DH2512	1%	2020-05-12	17 december	2025-12-17	22,550,000
DH2612	0,5%	2021-06-02	16 december	2026-12-16	8,500,000
					96,551,000

Note 22 - Other liabilities

Amounts in SEK thousands	31 Dec 2022	31 Dec 2021
Derivatives	5,887,972	664,374
VAT	2,988	2,606
Personnel costs	238	211
Other	2	-
Total	**5,891,200**	**667,191**

Note 23 - Accrued expenses and deferred income

Amounts in SEK thousands	31 Dec 2022	31 Dec 2021
Interest	67,148	33,190
Bank tax	48,700	-
Fee expenses	20,450	18,294
Personnel costs	2,965	1,967
Auditing expenses	600	600
Other	7	6
Total	**139,870**	**54,057**

Note 24 - Pledged assets, contingent liabilities and commitments

Amounts in SEK thousands	31 Dec 2022	31 Dec 2021
Pledged assets		
Assets pledged for own liabilities	129,505,000	121,258,000
Other pledged assets and equivalent collateral	Inga	Inga
Contingency		
Contingent liabilities	Inga	Inga
Commitments	Inga	Inga

Lending to the public have been provide as collateral for the issued covered bonds.

Note 25 - Classification of financial assets and liabilities

Amounts in SEK thousands

	Amortised cost		Fair value through profit and loss		
31 Dec 2022	Financial assets held to collect	Liabilities	Fair value	Hedge	Total
Assets					
Due from credit institutions	921,791		-	-	921,791
Lending to the public	134,782,728		-	-3,147,307	131,635,421
Bonds and other interest-bearing securities	-		4,544,311	-	4,544,311
Derivative	-		-	3,350,887	3,350,887
Total assets	**135,704,519**		**4,544,311**	**203,580**	**140,452,410**
Liabilities					
Due to credit institutions		29,692,918	-	-	29,692,918
Issued bonds		103,767,403	-	-5,747,353	98,020,050
Derivative		-	-	5,887,972	5,887,972
Total liabilities		**133,460,321**	-	**140,619**	**133,600,940**

Amounts in SEK thousands

	Amortised cost		Fair value through profit and loss		
31 Dec 2021	Financial assets held to collect	Liabilities	Fair value	Hedge	Total
Assets					
Due from credit institutions	2,107,700		-	-	2,107,700
Lending to the public	124,654,057		-	-209,849	124,444,208
Bonds and other interest-bearing securities	-		4,259,718	-	4,259,718
Derivative	-		-	391,980	391,980
Total assets	**126,761,757**		**4,259,718**	**182,131**	**131,203,606**
Liabilities					
Due to credit institutions		26,644,354	-	-	26,644,354
Issued bonds		97,746,816	-	-438,069	97,308,747
Derivative		-	-	664,374	664,374
Total liabilities		**124,391,170**	-	**226,305**	**124,617,475**

Note 26 - Fair value

Determination of fair value of financial instruments

Danske Hypotek sets fair values for financial instruments using different methods depending on the degree of observability of market data on the valuation and activity on the market. An active market is considered to be either a regulated or reliable trading place where prices recorded are readily available and show a regularity. An ongoing assessment of the activity is carried out by analysing factors such as differences in purchase and sales rates. The methods are divided into three different valuation levels:

Level 1: Unadjusted price, consists of financial instruments that are listed on an active market. The company uses the price recorded on the main market.

Level 2: Valuation based on observable inputs consists of financial instruments that are valued on the basis of observable inputs but which are not a recorded price for the instrument itself. If a financial instrument is listed on a market that is not active, the company bases its value on the latest transaction price. Adjustments are made for subsequent changes in market conditions, e.g. by including transactions with similar financial instruments. For a number of financial assets and liabilities there is no market. In such cases, the company uses recent transactions with similar instruments and discounted cash flows or other generally accepted assessment and valuation techniques based on market conditions at the balance sheet date to calculate an estimated value.

Level 3: Valuation model based on significant non-observable input. Valuation of certain financial instruments where significant valuation parameters are not observable is based on internal assumptions. Such instruments include unlisted shares and unlisted bonds.
Below is how the financial instruments reported at fair value are distributed among the three different valuation levels.

Level 1 contains own issued securities traded on an active market and holdings of bonds. These instruments are valued at unadjusted quoted market prices.

Level 2 contains interest rate derivatives. Its fair value is determined by using discounted cash flows. Cash flows are discounted to the relevant valuation curve based on observable input.

Danske Hypotek has no financial instruments valued at fair value at level 3.

If the classification of a financial instrument differs from the classification at the beginning of the year, the classification of the instrument is changed. Changes are considered to have taken place on the balance sheet date. During the period, there have been no transfers of financial instruments between the various levels.

Financial instruments valued at amortised cost

For loans with variable interest rates, the carrying amount is considered to be in accordance with the fair value. The valuation of fixed-rate lending is determined by using discounted cash flows and is based on current market interest rates adjusted for the adoption of a market-based credit margin. Liabilities to credit institutions, consisting of loans from the parent company, are valued at discounted cash flows based on market-based risk-free interest rates.

Amounts in SEK thousands

31 Dec 2022	Level 1	Level 2	Level 3	Total
Assets				
Lending to the public	-	-3 147 307	-	-3 147 307
Bonds and other interest-bearing securities	4,544,311	-	-	4,544,311
Derivative	-	3,350,887	-	3,350,887
Total assets	**4,544,311**	**203,580**	-	**4,747,891**
Liabilities				
Issued bonds	-	-5,747,353	-	-5,747,353
Derivative	-	5,887,972	-	5,887,972
Total liabilities	-	**140,619**	-	**140,619**
31 Dec 2021				
Assets				
Lending to the public	-	-209,849	-	-209,849
Bonds and other interest-bearing securities	4,259,718	-	-	4,259,718
Derivative	-	391,980	-	391,980
Total assets	**4,259,718**	**182,131**	-	**4,441,849**
Liabilities				
Issued bonds	-	-438,069	-	-438,069
Derivative	-	664,374	-	664,374
Total liabilities	-	**226,305**	-	**226,305**

Note 27 - Transactions with related parties

Danske Bankkoncernen består av ett flertal självständiga juridiska verksamheter. Vid handel mellan koncernens verksamheter, eller när en verksamhet utför arbete åt en annan verksamhet, sker avräkning på marknadsbaserade villkor. Handel sker efter kontraktsbaserat avtal mellan verksamheterna, om inte transaktionerna är av obetydlig storlek.

Purchases and sale within the Group
- Of Danske Hypotek interest income, 47% (16%) related to companies within the Danske Bank Group.
- Of Danske Hypotek interest expenses, 68% (20%) related to companies within the Danske Bank Group.
- Of Danske Hypotek fee expenses, 34% (24%) related to companies within the Danske Bank Group.
- Of Danske Hypotek total purchases, 59% (44%) related to companies within the Danske Bank Group.

Assets and liabilies within the Group
- Of Danske Hypotek´s due from credit institutions, 100% related to companies within the Group.
- Of Danske Hypotek´s Other assets, 98% (99%) related to companies within the Group.
- Of Danske Hypotek´s due to credit institutions, 100% (100%) related to companies within the Group.
- Of Danske Hypotek´s other liabilities, 100% (100%) related to companies within the Group.
- Of Danske Hypotek´s daccrued expenses and deferred income, 14% (34%) related to companies within the Group.

Note 28 - Significant events after the end of the financial year

No significant events after the end of the financial year.

Note 29 - Group information

The company is a wholly owned subsidiary of Danske Bank A/S, corp. ID no. 61126228 with its registered office in Copenhagen, Denmark. The foreign Parent Company's financial statements are available from Danske Hypotek AB.

Note 30 - Definitions of KPIs and APMs

Exposure at default (EAD)	Total outstanding exposed value of a loan in the event of the loan's default
CET1 capital	CET1 capital is a subcomponent of the capital base and consists primarily of equity. Deductions are made for earned dividend, goodwill and other intangible assets and the difference between anticipated losses and impairment charges made for probable credit losses.
CET1 capital ratio	CET1 capital in relation to the risk exposure amount.
Liquidity coverage ratio (LCR)	This ratio describes the ability of the company's qualified liquid assets to finance the company's liquid outflow in the upcoming 30 days.
Loss given default (LGD)	What percentage of the loans granted that the company is expected to lose in the event of the counterparty's default.
Average weighted loan-to-value in the cover pool, % (LTV)	Size of loans in relation to the market value of underlying assets
Probability of default (PD)	Ratio that shows the probability of payment cancellation at the customer in accordance with the internal risk model.

Alternative performance measures
Danske Hypotek AB prepares the annual report in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as in Note 1. The annual report contains a number of alternative performance measures that the management deems provides valuable information to the reader since they are used by the management for internal governance and results follow-up and also for comparisons between periods. The APMs below are calculated from the financial statements without adjustment.

Proportion of impaired loans	Carrying amounts of impaired loans, gross, in relation to the carrying amount of amounts due from credit institutions and the public excluding reservations.
Return on total assets	Operating profit/loss after tax in relation to average total assets. The average value is the sum of the year's opening and closing value divided by two.

Leverage ratio	Tier 1 capital in relation to the total exposure measurement, where the exposure measurement includes both assets and items outside the balance sheet.
Average loan	The cover pool in relation to the number of loans.
Average weighted loan-to-value ratio	For every loan: Loan amounts (plus loans with better internal position) in relation to the market value of underlying collateral. The portfolio's loan-to-value ratio is then calculated as a weighted average.
E/I ratio	The total operating expenses before loan impairment charges in relation to total operating income.
Loan impairment charge level	Loan impairment charges in relation to total lending (closing balance)
Investment margin	Net interest in relation to average total assets. The average value is the sum of the year's opening and closing value divided by two.
Loan Impairment charges as % of impaired loans	All impairment charges in relation to impaired loans gross.
Return on equity	Operating profit/loss after tax in relation to average equity. The average value is the sum of the year's opening and closing value divided by two.

Signatures

Stockholm den

Anna-Lena Axberger
Chairman of the Board

Anneli Adler

Robert Wagner

Kamilla Hammerich Skytte

Kristina Alvendal

Kim Borau

Per Tunestam
Chief Executive Officer

Our auditor's report was submitted on

Deloitte AB

Patrick Honeth
Authorised Public Accountant

Auditor’s report

To the general meeting of the shareholders of Danske Hypotek AB (publ)
corporate identity number 516401-9852

Report on the annual accounts

Opinions
We have audited the annual accounts of Danske Hypotek AB (publ) for the financial year 2022 with the exception of the corporate governance report on pages 9-10. The company’s annual report is included on pages 4-8 and 11-39 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Danske Hypotek AB (publ) as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

Basis for Opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of Danske Hypotek AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Assessments and estimates regarding measurement of loan receivables
Recognition and measurement of loan receivables are an area that largely affects Danske Hypotek’s financial position and performance. IFRS 9 is a complex accounting framework that requires significant assessments by the bank’s management to determine the size of the reserve for expected credit losses.

Significant assessments include:

- Interpretation of the requirements to establish the size of the reserve for expected credit losses according to IFRS 9, which is reflected in the bank’s model for the calculation of expected credit losses.
- Identification of exposures with significant deterioration of credit quality.
- Assumptions applied in the model for calculation of expected credit losses, such as the counterparty’s financial position, expected future cash flows and prospective macroeconomic factors.

At 31 December 2022, lending to the public amounted to SEK 133 744m with a reserve for expected credit losses of SEK 149m. Given the lending’s substantial share of the total assets, the impact the inherent uncertainty and subjectivity involved in the assessment of credit losses, and that the disclosure requirements under IFRS9 are substantial, we believe that this is a key audit matter in our audit.

Our audit measures have comprised, but not consisted solely of:

- We have evaluated that key controls in the credit loss process have been appropriately designed and effective during the year; including key controls for approval, registration and follow-up of loan receivables and key controls over input data and assumptions used in the models for calculation of the reserve for expected credit losses.
- We have evaluated, with the support of specialists, the modelling techniques and the model methods against the requirements in IFRS 9. We have examined the appropriateness of a selection of the underlying models, which have been developed for the calculation of the reserve for expected credit losses. We have evaluated significant assumptions that formed the basis of an assessment of significant deterioration of credit quality, probability of default and loss given default.
- We have evaluated that key controls have been appropriately designed and effective to assess whether credit exposures with a significant deterioration in credit quality are identified in a timely manner.
- We have involved our IT specialists and formulated auditing procedures to test that identified key controls are effective during the year for the IT applications used in the calculation of the reserve for expected credit losses.
- Lastly, we have examined the completeness and reliability of the disclosures for the reserves for expected credit losses to assess compliance with the disclosure requirements in accordance with IFRS.

IT-systems that support complete and accurate financial reporting
Danske Hypotek AB (publ) is dependent on their IT-systems to (1) serve customers, (2) support their business processes, (3) ensure complete and accurate processing of financial transactions and (4) support the overall internal control framework. Many of Danske Hypotek AB (publ)'s internal controls over financial reporting are depend upon automated application controls and completeness and integrity of reports generated by the IT-systems. Given the high dependency on technology, we consider this to be a key audit matter for our audit.

Our audit procedures included, but were not limited to,

- Evaluate controls for principles and processes for changes in the IT environment.
- Evaluate controls for monitoring system changes.
- Evaluate controls for division of responsibilities of tasks.
- Evaluate controls for scheduled work and alarm configurations of IT systems.
- Evaluate controls for monitoring automatic work of IT systems.
- Identify and gain access to the management's process, which includes issuing, changing and removing authorizations.
- Evaluate processes and tools to ensure accessibility to information based on user needs and operational requirements, including back-up of information and rereading routines.
- Evaluate security monitoring and system changes to protect systems and data from unauthorized use, including logging security events and routines to identify known vulnerabilities. Information security

Other information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and is found on pages 1-3 and 40. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts.

A further description of our responsibility for the audit of the administration can be found on the Auditors' Inspectorate's website: www.revisorsinspektionen.se/revisornsansvar. **This description is part of the auditor's report**

Report on other legal and regulatory requirements

Opinions
In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Danske Hypotek AB (publ) for the financial year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A separate list of loans and collateral has been prepared in accordance with the provisions of the Companies Act.

Basis for Opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Danske Hypotek AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration can be found on the Auditors' Inspectorate's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's review of the corporate governance report

The Board of Directors is responsible for the corporate governance report on pages 9-10 and for preparing it in accordance with the Annual Accounts Act.

Our review has taken place in accordance with FAR's statement RevR 16 Auditor's review of the corporate governance report. This means that our review of the corporate governance report has a different focus and a significantly smaller scope compared with the focus and scope of an audit in accordance with International Standards on Auditing and good auditing practice in Sweden. We believe that this review provides us with a sufficient basis for our statements.

A corporate governance report has been prepared. Information in accordance with ch. 6 Section 6, second paragraph, items 2–6 of the Annual Accounts Act and Chapter 7 Section 31, second paragraph, of the same Act is compatible with the other parts of the annual report and is in accordance with the Act on Annual Accounts in Credit Institutions and Securities Companies.

Deloitte AB, was appointed auditor of Danske Hypotek AB (publ) by the Annual General Meeting on March 22, 2022 and has been the company's auditor since May 5, 2016.

Stockholm and March 28, 2023
Deloitte AB

Patrick Honeth
Authorized auditor

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