Annual Report 2022

Danske Mortgage Bank Plc

Danske Bank

Contents

Danske Mortgage Bank Plc is a Finnish bank, which is part of the Danske Bank Group. Danske Bank Group is one of the largest financial enterprises in the Nordic region. This Financial Statement and Board of Directors' report covers Danske Mortgage Bank Plc.
This document is an English translation of the official Finnish Annual Report.

Danske Mortgage Bank Plc Board of Directors' Report 2022

Danske Mortgage Bank Plc in brief

Danske Mortgage Bank Plc is a wholly-owned subsidiary of Danske Bank A/S, the parent company of Danske Bank Group. The Group is headquartered in Copenhagen and Danske Bank's share is quoted on the Nasdaq OMX Copenhagen.

Danske Mortgage Bank Plc is operating as an issuer of covered bonds. Bonds issued by the Bank are covered by a pool of loans consisting of Finnish household mortgages. The Bank does not act as the originator of housing loans as it purchases loans from Danske Bank A/S, Finland Branch. The purchased loans are long term loans for Finnish households having a residential real estate or share of a housing company as collateral. Loan servicing process as many other processes are outsourced to Danske Bank A/S. This way loan purchases are not having an effect on the service received by the customers.

Act on Mortgage Credit Banks and Covered Bonds (151/2022) was enacted 8th July, 2022 repealing the earlier act on mortgage banking activities. The new act harmonizes mortgage banking activities in Europe, but in practise the activities continue in very similar fashion as before. Using transitional rule in the new act, we have converted the bonds originally issued under the previous act to fully conform to new act, and our activities are solely under the new act 151/2022.

Danske Mortgage Bank Plc's operations continued stable during 2022 in all aspects. The quality of the loan portfolio has remained at good level and even improved. The Bank's earnings were at the same level compared to previous year being moderate.

In September 2022 the Bank issued a covered bond with nominal value EUR 1250 million. The Bank bought housing loans with 738 million euros, and sold housing loans back to Danske Bank A/S, Finland branch with 29 million euros. Customers were paying back their housing loans with 0.8 billion euros. During the year no bond was matured. Taking into account the loan portfolio in Danske Bank A/S, Finland branch, the bank has access to enough loans for new issuance. Hedging and short-term funding were executed through Danske Bank A/S. The amount of cover pool eligible loans in the Danske Bank Group's Finnish operations has been stable.

Throughout this Annual Report the term "Bank" refers to Danske Mortgage Bank Plc. The Danske Bank Group is referred to as "Group".

Danske Mortgage Bank Plc is domiciled in Helsinki and its business identity code is 2825892-7.

Operating environment

The Finnish economy continued to recover during the first half of 2022 from the 2020 recession. GDP volume grew approximately nearly 2 per cent in full year 2022. During the first half of 2022, lifting of covid lockdown measures had a significant positive impact on growth in services demand and production. At the same time, consumption of goods was weakened by high inflation and rising interest rates.

The European Central Bank tightened monetary policy in order to limit inflation and 12 month Euribor rate rose from -0.5 per cent to above 3 per cent during the year. The loan burden on households and companies grows with a lag. Russian invasion into Ukraine increased future uncertainty and weakened exports. The economic conditions weakened during the second half of the year as consumers adapted to rising prices and interest rates. Weaker growth in export markets reduced demand for Finnish export goods and investments suffered from uncertainty. Energy crisis increased especially electricity price and cost burden rose for households as well as businesses. The number of construction permits started to fall, but a large number of new apartments were finished at the end of the year.

The number of transactions in the housing market and drawdowns of new housing loans fell by roughly one third during the second half of the year. Housing prices fell slightly after June. Labour market remained stable throughout the year and employment rate rose to about 75 per cent at the end of the year. Open vacancies were plentiful and many businesses suffered from a labour shortage. Business confidence and especially consumer confidence weakened during the year, because the War in Ukraine, inflation and rising interest rates pushed expectations lower.

Financial review

The comparison figures in parentheses refer to 2021 figures.

The Bank's profit before taxes was EUR 16.3 million (17.1 million). The result was EUR 13.1 million (13.7 million).

Return on equity amounted to 3.8 per cent for 2022 (4.1 per cent). Equity has increased by EUR 13.1 million during 2022 mainly due to a decision to refrain from distribution of profit in 2021.

Total operating income for 2022 amounted to EUR 31.9 million (37.7 million) and the net interest income was EUR 32.3 million (36.2 million). The Bank's net fee income totalled EUR 1.6 million (2.1 million). Net trading income was EUR -2.4 million (-0.8 million).

The Bank's cost to income ratio was 44.8 per cent (47.0 per cent) and the Bank's operating expenses totalled EUR 14.3 million (17.7 million). The lower costs is explained by decrease in the Group's internal recharges.

Impairment charges and final write-offs totalled to EUR 1.3 million (2.9 million) of which final write-offs were 0.9 million euros (3.3 million). In year 2021 impairment charges where high due to matching the treatment of concessions with the Danske Bank Group's changed practices. Despite the uncertainty in economic developments, the impairments are still moderate.

Rating categories and corresponding probability of default ranges can be found in the Risk Management Disclosure, from page 15. Non-performing loans are sold regularly to Danske Bank A/S, Finland Branch and final write offs realize from loan sales.

Balance sheet and funding

Danske Mortgage Bank Plc's total balance sheet for 2022 was EUR 4,237.3 million (4,332.3 million). Loans and receivables from customers amounted to EUR 4,028.6 million (4,117.0 million).

The Bank's other investment securities portfolio consists of liquidity coverage ratio (LCR) eligible bonds. Other investment securities amounted to EUR 91.5 million at the end of 2022 (35.4 million).

The financial and liquidity situation was good. All short-term funding was received from the Group. The Bank's liquidity buffer was EUR 113.9 million at the end of 2022 (179.7 million) and it consisted of deposits in the central bank and central bank eligible high quality liquid bonds.

With a liquidity coverage ratio (LCR) of 1389 per cent end of 2022 (720 per cent), the Bank was compliant with the regulatory minimum requirement of 100 per cent at the end of reporting period. According to the Capital Requirements Regulation (EU) No 575/2013 banks must have a LCR of at least 100 per cent.

Net Stable Funding Ratio (NSFR) presents the ratio of available stable funding to required stable funding. The Bank's NSFR was 112 per cent end of December 2022 (127 per cent) which complies with the 100 per cent requirement. Available stable funding totaled to EUR 3,611.7 million end of December 2022 (3,981.0), which is EUR 412.4 million (851.0) above the required stable funding. Intra group funding totalled to 390 million euros, having residual maturity over one year and was counted in full for stable funding.

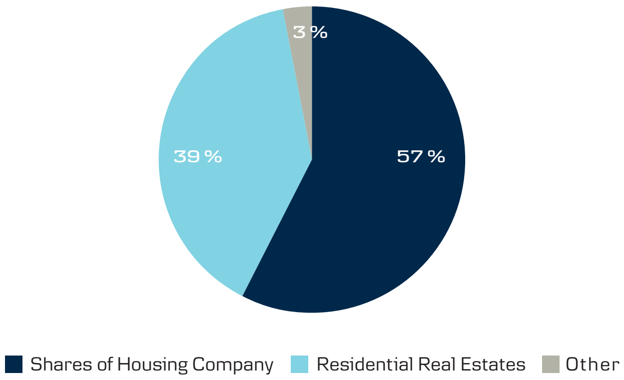
At the beginning of 2022 the Bank's equity was EUR 339.8 million. The Bank refrained from distribution of profits in 2022. The result for 2022 was EUR 13.1 million. At the end of 2022 the amount of equity totalled EUR 352.9 million.

Prime quality Finnish housing loans

Danske Mortgage Bank Plc loan portfolio consists of prime quality Finnish housing loans. Customers are concentrated to the best rating classes on the rating scale. Impairments are 0.07 per cent of the loan portfolio and on the low level. The balance of non-performing loans is low as they are sold back to Danske Bank A/S, Finland Branch.

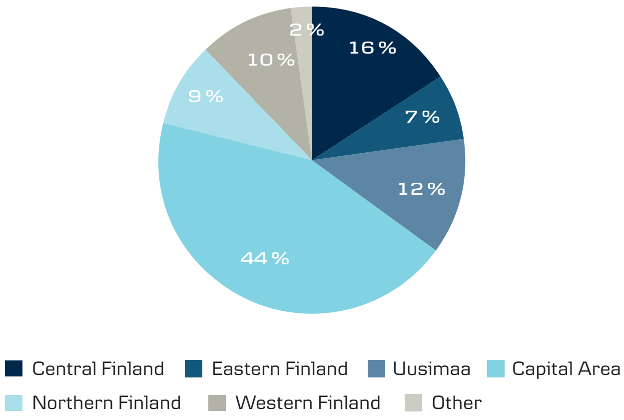
Collateral types include shares of housing companies and single properties. Other collateral types include typically deposits or securities that are not counted as eligible collateral for cover pool purposes.

NUMBER OF COLLATERAL TYPES



Loan exposures are concentrated to customers in Helsinki capital area. In general loans have a high collateral degree and they are predominantly located in the growth areas.

EXPOSURE DISTRIBUTION BY AREA



Capital and solvency

The objective of the Bank's capital and solvency management is to have an adequate amount of capital to support its business strategy and to fulfil the regulatory capital requirements. The Bank also needs to ensure that it is sufficiently capitalized to withstand severe macroeconomic downturns. The Bank is using the internal rating based (IRB) approach for calculation of capital requirements for credit risk for retail exposures. Otherwise, standard method is applied for credit risk. For operational risk standard method is applied in calculating capital requirement.

Capital management and practices are based on an internal capital and liquidity adequacy assessment process (ICLAAP). In this process, the Bank identifies its risks and determines its solvency need.

Total capital consists of tier 1 capital that is common equity tier 1 capital after deductions. On 31 December 2022, the total capital amounted to EUR 335.9 million (322.4 million), and the total capital ratio was 60.2 (63.4) per cent. The common equity tier 1 capital ratio was 60.2 (63.4) per cent. Total capital has increased by EUR 13.5 million mainly due to the decision to refrain from distribution of profit in 2022.

Risk exposure amount (REA) was EUR 558.3 million (508.8 million).

Profit after taxes is not included in Tier 1 distributable capital.

Leverage ratio
According to the Capital Requirements Directive (CRD IV) credit institutions must have a well-established practice to identify, manage and monitor risks to avoid excessive leverage. Indicators for excessive leverage shall include the leverage ratio and shall be monitored under the Pillar 2 process. Credit institutions must also be able to withstand a range of different stress events with respect to the risk of excessive leverage.

The CRR/CRD IV requires credit institutions to calculate, report and monitor their leverage ratios. The leverage ratio is defined as ratio of tier 1 capital from the total exposure. In order to count in the leverage ratio, the tier 1 capital must be eligible under the CRR. The total exposure measure is the sum of the exposure values of all assets and off-balance sheet items not deducted from tier 1 capital. Specific adjustments apply to derivatives.

The Bank has processes in place for the identification, management and monitoring of the risk of excessive leverage. The leverage ratio is also part of the Bank's risk appetite framework.

Credit institutions are subject to a 3 per cent leverage ratio requirement, which is a binding constraint. The Bank´s leverage ratio was 7.9 (7.4) per cent on 31 December 2022. The leverage ratio is calculated based on the fourth quarter end figures whereby the tier 1 capital was EUR 335.9 million (322.4 million) and leverage ratio exposure EUR 4,244.7 million (4,351.6 million). Leverage ratio table is presented after the solvency table as per 31 December 2022.

Capital buffers
In April 2020 the FIN-FSA decided to lower the Finnish credit institutions' capital requirements and the systemic risk buffer for the Bank is still 0%. However, FIN-FSA is preparing to make a decision on a systemic risk buffer in early 2023 to strengthen the banking sector's risk resilience.

On December 2022the FIN-FSA decided not to increase the countercyclical capital buffer requirement (variable capital add-on) applicable to banks. The requirement will remain at zero until further notice.

The Pillar II requirement for the interest rate risk of banking book has been remained unchanged compared to previous year.

The minimum own funds requirements and capital buffers as well as the Pillar II requirement are listed under the leverage ratio table for the Bank.

Minimum requirement for own funds and eligible liabilities (MREL)
The Finnish Financial Stability Authority has determined the minimum requirement for own funds and eligible liabilities for the Bank. The internal MREL consists of requirement based on the total risk exposure amount (TREA), amounting to 17.25 per cent, and requirement based on the leverage ratio exposure measure (LRE) amounting to 5.33 per cent. Starting from 1 January 2024 the 19.85 per cent requirement based on TREA has to be met and a requirement of 5.91 per cent based on LRE must be met.

SOLVENCY Own funds EURm	31.12.2022	31.12.2021
Common Equity Tier 1 capital before deductions	**352.9**	**339.8**
Share capital	70.0	70.0
Reserves for invested unrestricted equity	215.0	215.0
Retained earnings	54.8	41.2
Total comprehensive income for the period	13.1	13.7
Deductions from CET1 capital	**-17.0**	**-17.4**
Proposed/paid dividends /part of profit not included in CET1	-13.1	-13.7
Value adjustments due to the requirements for prudent valuation	-0.3	-0.1
IRB shortfall of credit risk adjustments to expected losses	-3.6	-3.7
Common Equity Tier 1 (CET1)	**335.9**	**322.4**
Additional Tier 1 capital (AT1)	-	-
Tier 1capital (T1 = CET1 + AT1)	**335.9**	**322.4**
Tier 2 capital (T2)	-	-
Total capital (TC = T1 + T2)	**335.9**	**322.4**
Total risk exposure amount (REA)	**558.3**	**508.8**
Capital requirement (8% of risk exposure amount)	**44.7**	**40.7**
Credit and counterparty risk	36.6	35.9
Operational risk	8.1	4.8
Common equity tier 1 capital ratio (%)	**60.2%**	**63.4%**
Tier 1 capital ratio (%)	**60.2%**	**63.4%**
Total capital ratio (%)	**60.2%**	**63.4%**

Company's capital adequacy ratio has been calculated both in accordance with Credit Institutions Act Sect 9-10 and EU Capital Requirement Regulation (CRR).

LEVERAGE RATIO EURm	31.12.2022	31.12.2021
Total assets	4,237.3	4,332.3
Derivatives accounting asset value	-21.3	-9.0
Derivatives exposure to counterparty risk ex. collateral	32.3	32.0
Adjustment to CET1 due to prudential filters	-3.6	-3.7
Total exposure for leverage ratio calculation	4,244.7	4,351.6
Reported tier 1 capital (transitional rules)	335.9	322.4
Tier 1 capital (fully phased-in rules)	335.9	322.4
Leverage ratio (transitional rules)	7.9%	7.4%
Leverage ratio (fully phased-in rules)	7.9%	7.4%

Minimum own funds requirements and capital buffers	31.12.2022	31.12.2021
Minimum requirements		
(% of total risk exposure amount):		
Common Equity Tier (CET) 1 capital ratio	4.5%	4.5%
Tier 1 capital ratio	6.0%	6.0%
Total capital ratio	8.0%	8.0%
Capital buffers (% of total risk exposure amount):		
Capital conservation buffer [1]	2.5%	2.5%
Institution-specific countercyclical capital buffer	0.0%	0.0%
Countercyclical buffer [2]	-	-
Systemic risk buffer [3]	-	-
Minimum requirement including capital buffers		
(% of total risk exposure amount):		
Common Equity Tier (CET) 1 capital ratio	7.0%	7.0%
Pillar 2 add-ons (EUR million)		
Interest rate risk in the banking book (IRRBB)	10.0	10.0
Leverage ratio requirement: [4]	3.0%	3.0%

1) Valid from 1.1.2015 onwards.
2) On 19th December 2022, the FIN-FSA decided not to set any countercyclical buffer.
3) Valid from 1.7.2019 onwards until the FIN-FSA decided on 6 April 2020 to remove Systemic risk buffer requirement.
4) Valid from 28.6.2021 onwards.

Credit ratings
Issued covered bonds are rated 'Aaa' by Moody's Investor Services.

Employees and organization
The Bank had 6 (5) employees at the end of the financial year. The average during financial period was 6 (6).

Danske Mortgage Plc's Board of Directors, auditors and committees
Annual general meeting was held on 10 March 2022, where composition of the Board remained unchanged. Board members were Stojko Gjurovski (Chairman) Robert Wagner, Kimberly Bauner, Riikka Laine-Tolonen, Tomi Dahlberg and Maisa Hyrkkänen. Kimberly Bauner resigned from Board on 26th August, 2022 and Riikka Laine-Tolonen on 27th October, 2022. Terese Dissing was elected to join the Bank's Board of Directors on 16 December 2022.

Pekka Toivonen is the CEO of the Bank and Jari Raassina is his deputy.

On March 10, 2022 the Annual general meeting of the Bank elected Deloitte Ltd Audit Firm, as auditor of Danske Mortgage Bank Plc, with Aleksi Martamo, APA, as the Key audit partner.

Related party loans and receivables are listed in note 19 and corporate governance principles are found on page 12.

Danske Mortgage Bank Plc's shares, ownership and group structure
Danske Mortgage Bank Plc is part of the Danske Bank Group. The parent company of the Danske Bank Group is Danske Bank A/S.

Danske Mortgage Bank Plc's share capital is EUR 70.0 million, divided into 106,000 shares. Danske Bank A/S holds the entire stock of Danske Mortgage Bank Plc.

Risk management
The Bank's principles for risk management are based on legislation for mortgage banks. The main objective of risk management is to ensure that the capital base is adequate in relation to the risks arising from the business activities. The Board of Directors of the Bank establishes the principles of risk management, risk limits and other general guidelines according to which risk management is organized at the Bank.

To ensure that the Bank's risk management organization meets both the external and internal requirements, the Board of Directors has also set up a Risk Council composed of the operative management members. The Risk Council's main objective is to ensure that the Bank is compliant with the risk management guidelines issued by the Board of Directors and that the Bank monitors all types of risk and provides reports to concerned parties.

The main risks associated with the Bank's activities are credit risk, interest rate and liquidity risks of banking book, non-financial risks and various business risks. The credit risk exposure has the largest impact on capital requirement. The majority of the non-financial risks are related to outsourced services and processes.

The Bank's risk position has been low. The main risks associate with the development in the general economic environment and investment market and future changes in financial regulations.

In relation to the loan portfolio, non-performing loans were at a low level. Non-performing loans that are delayed for over 90 days amounted to EUR 0.0 million (0.4 million). Impairment charges and final write-offs for 2022 totalled EUR 1.3 million (2.9 million). Allowance account at 31 December 2022 amounted to EUR 2.7 million (31 December 2021 EUR 2.0 million).

More detailed information of risks and risk management can be found in the Risk Management Disclosure on page 15.

Sustainability

According to the Accounting Act, Chapter 3 a the Bank does not prepare 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 Mortgage Bank Plc is part of. The Group's sustainability report is available on Danske Bank's websites https://danskebank.com/sustainability. The bank is preparing for the upcoming entity level sustainability reporting as required by regulation.

Events after the reporting period

There are no material events after the reporting period.

Outlook for 2023

Risk of a recession has increased as the energy crisis, high inflation and interest rates burden the consumer. Export outlook is frail and many investment decisions are postponed due to weaker demand, rising interest rates and high costs straining profitability. Housing construction slows down, but investment into domestic energy production grows. In the main scenario we expect that the recession is shallow and employment remains relatively stable. Housing markets will book fewer transactions and the price level falls slightly. The European Central Bank hikes policy rates during the first half of the year, but interest rates stop rising during the second half of the year. Inflation begins to fall slowly during the spring.

The development of the Bank's business volume is dependent on the development of volume of Danske Bank A/S, Finland Branch's stock of housing loans and Danske Bank A/S Group's funding demand. In the future, the Bank seeks to issue at least one benchmark-size covered bond per year.

The Bank is rather well protected against changes in the level of interest rates. Therefore, impact of interest rate risk to net profit is limited. The development in the Finnish economy affects it mostly through credit losses and level of new sales loan margins. The refinancing cost of the Bank is dependent on the credit rating of Danske Bank A/S and development in the global and the Finnish economy. The Bank's business is stable and the number of personnel is expected to remain at the current level.

Higher than normal economic uncertainty may increase the expected credit losses of the Bank, but different buffers will help to keep the amount of distressed loans still low.

In the credit granting process, the customer's ability to manage his total debt has been assessed and a stress test has been carried out to determine how the customer would be able to manage his credit at a much higher interest rate than the prevailing market rate. Customers will also be able to obtain temporary concessions for their loans, such as the interest only period, which we expect to increase in 2023. In any event, if the customer's ability to pay is still insufficient, the value of the collateral protects the Bank from credit risk. By undervaluing the value of the collateral, the Bank has also been prepared to allow the value of the collateral to be decreased. The Bank's housing loans have been concentrated in the capital region and other growth centers, where there is still a functioning housing market, although prices have fallen slightly.

We expect the volume of the Bank's covered bonds to grow, which we will collateralize by purchasing more housing loans.

The increase in the balance sheet and rising interest rates will improve the Bank's performance moderately compared to last year. However, even in the most severe scenario, we expect the Bank's result in 2023 to be positive.

This guidance is generally subject to uncertainty related to future macroeconomic and business development.

Helsinki, 3 February 2023
Danske Mortgage Bank Plc
Board of Directors

FINANCIAL HIGHLIGHTS EURm	2022	2021	2020
Revenue	44.4	55.6	89.3
Net interest income	32.3	36.2	42.2
% of revenue	72.8	65.0	47.2
Profit before taxes	16.3	17.1	28.4
% of revenue	36.8	30.7	31.8
Total income [1)]	31.9	37.7	44.9
Total operating expenses [2)]	14.3	17.7	15.8
Cost to income ratio	44.8	47.0	35.2
Total assets	4,237.3	4,332.3	5,949.0
Equity	352.9	339.8	326.2
Return on assets, %	0.3	0.3	0.4
Return on equity, %	3.8	4.1	7.2
Equity/assets ratio, %	8.3	7.8	5.5
Solvency ratio, % [3)]	60.2	63.4	33.6
Impairment on loans and receivables [4)]	1.3	2.9	0.7
Off-balance sheet items	-	-	-
Average number of staff	6	6	6
FTE at end of period	5	5	6

The financial highlights have been calculated as referred to in the regulations of the Finnish Financial Supervision Authority, taking into account renamed income statement and balance sheet items due to changes in the accounting practice

1) Total income comprises the income in the formula for the cost to income ratio.

2) Total operating expenses comprise the cost in the formula for the cost to income ratio.

3) Capital adequacy ratio has been calculated both in accordance with Credit Institutions Act Sect 9-10 and EU Capital Requirement Regulation (CRR). For calculation of credit risk exposure amount in Retail, the Bank applies internal model (IRB) and otherwise standard method. For calculation of risk exposure amount in operational risk, it applies standard method.

4) Impairment on loans and receivables includes impairment losses, reversals of them, write-offs and recoveries. (-) net loss positive.

Definition of Alternative Performance Measures

The Bank's management believes that the alternative performance measures (APMs) used in the Board of Directors' report provide valuable information to readers of the financial statements. The APMs provide more consistent basis for assessing the performance of the Bank. They are also important aspect of the way in which the Bank's management monitor's performance.

The Annual report contains a number of key performance indicators (so-called alternative performance measures - APMs), which provide further information about the Bank. There are no adjusting items, which means that net profit is the same in the financial highlights and in the IFRS income statement. The differences between the financial highlights and the IFRS financial statements relate only to additional figures being presented in Board of Directors' disclosure which are not required by the IFRS -standards.

Definitions of additional performance measures presented in Financial Highlights:

Revenues: interest income, fee income, net result from items at fair value and other operating income

Cost to income ratio, %:

$$\frac{\text{staff costs + other operating expenses + depreciations and impairments}}{\text{net interest income + net result from items at fair value + net fee income + other operating income}}$$

Return on equity, %

$$\frac{\text{profit before taxes - taxes}}{\text{equity (average) + non-controlling interests (average)}}$$

Return on assets, %

$$\frac{\text{profit before taxes - taxes}}{\text{average total assets}}$$

Equity/assets ratio, %

$$\frac{\text{equity + non-controlling interests}}{\text{total assets}}$$

Corporate governance

The Bank's corporate governance complies with the general requirements laid down in Chapters 7, 8 and 9 of the Act on Credit Institutions. Further information on the Bank's corporate governance is available on the web: https://danskebank.com/investor-relations/debt/danske-mortgage-bank.

General meeting

The supreme decision-making power in the Bank is exercised by its shareholders at a General Meeting of shareholders.

Board of Directors

The Board of Directors shall consist of at least three and not more than seven ordinary members. The term of office of a member of the Board of Directors ends at the end of the first Annual General Meeting following the election.

At their first meeting following the Annual General Meeting, the members of the Board of Directors shall elect a Chairperson from amongst themselves and a Vice Chairperson for a term of office that ends at the end of the first Annual General Meeting following the election.

At the end of the financial year the members of the Board of Directors were Stojko Gjurovski (chairman), Robert Wagner, Tomi Dahlberg and Maisa Hyrkkänen. Tomi Dahlberg and Maisa Hyrkkänen are independent of the Danske Bank Group.

The Board of Directors is responsible for the Bank's administration and for organizing operations, and for ensuring that the supervision of the Bank's accounting and asset management has been arranged properly. The Board handles all important and significant issues of general scope relevant to the operation of the Bank. The Board takes decisions on matters such as the Bank's business strategy. It approves the budget and the principles for arranging the Bank's risk management and internal control. The Board also decides the basis for the Bank's remuneration system and other far-reaching matters that concern the personnel. In accordance with the principles of good governance, the Board also ensures that the Bank, in its operations, endorses the corporate values set out for compliance.

The Board of Directors has approved written rules of procedure defining the Board's duties and its meeting arrangements. The Board of Directors and the chief executive officer (CEO) shall manage the Bank in a professional manner and in accordance with sound and prudent business principles.

The Board of Directors of the Bank convened 12 times during 2022. The fee resulting from 2022 was EUR 32.0 thousand for the Bank's Board members who are not within the Group.

Chief Executive Officer and Management team

The Bank's Board of Directors appoints the CEO and Deputy CEO. The CEO is responsible for the Bank's day-to-day management in accordance with the Limited Liability Companies Act and the instructions and orders issued by the Board of Directors. The CEO's duties include managing and overseeing the Bank's business operations, preparing matters for consideration by the Board of Directors and executing the decisions of the Board.

The Bank's CEO is Pekka Toivonen (b. 1967) and Deputy CEO Jari Raassina (b. 1965).

In 2022 the CEO and Deputy CEO were paid a salary and fringe benefits of EUR 299.8 thousand.

CEO's period of notice is six (6) months and the severance compensation to the CEO in addition to the salary paid for the period of notice equals to six (6) months' salary.

The Management Team assists the CEO. It convenes at the invitation of its chairman once a month. The Management team is responsible for supporting the CEO in the preparation and implementation of the Bank's strategy, coordination of the Bank's operations, preparation and implementation of significant or fundamental matters, and ensuring internal cooperation and communication.

In its operations the Bank has high moral and ethical standards. The Bank constantly ensures that its operations comply with all applicable laws and regulations. The responsibility for supervising compliance with laws and regulations lies with the Law and regulations lies with the operating management and the Board of Directors. Various rules and regulations have been issued to support operations and ensure that applicable laws and regulations are respected throughout the organisation.

Remuneration

Preparation of the Bank's remuneration policy is based on the remuneration policy of the Group taking into account the Finnish regulations. The remuneration policy is subject to the approval of the Bank's Board of Directors, which also monitors the implementation and functioning of the policy each year.

The Bank has a remuneration scheme covering the entire personnel. The aim of the remuneration scheme is to support the implementation of the Bank's strategy and to achieve the targets set for the business areas.

More information regarding remuneration can be found in the Bank's remuneration policy www.danskebank.com/investor-relations/debt/danske-mortgage-bank under section Remuneration.

Auditors

The Bank has one auditor, which must be a firm of authorised public accountants approved by the Finnish Patent and Registration Office. The term of the auditor lasts until the next Annual General Meeting following the auditor's appointment.

The Bank's auditor is Deloitte Ltd Audit Firm with Aleksi Martamo, Authorized Public Accountant as the Key audit partner. The primary function of the statutory audit is to verify that the Bank's financial statements provide a true and fair view of the Bank's performance and financial position for each accounting period.

Description of the main features of the internal control and risk management systems related to the financial reporting process

The Bank is a wholly owned subsidiary of Danske Bank A/S. Danske Bank A/S is a listed company and is the parent company of the Group. The governance of the Danske Bank A/S Group accords with the legislative requirements concerning Danish listed companies and especially with the legislative requirements concerning companies in the financial sector. The Bank complies in all essential respects with the good governance recommendations issued by Denmark's Committee on Corporate Governance. Further information on the principles concerning corporate governance in the Group is available on: www.danskebank.com.

The Bank is a bond issuer and therefore publishes the following description of the main features of the internal control and risk management systems related to its financial reporting process. Further information on the principles concerning corporate governance in the Bank is available on www.danskebank.com/investor-relations/debt/danske-mortgage-bank.

The Bank uses internal control to insure

- the correctness of financial reporting and of other information used in management decision-making
- compliance with laws and regulations and with the decisions of administrative organs and other internal rules and procedures.

The Bank's management operates the system of control and supervision in order to reduce the financial reporting risks and to oversee compliance with reporting rules and regulations. With the controls imposed the aim is to prevent, detect and rectify any errors and distortions in financial reporting, though this cannot guarantee the complete absence of errors.

The Bank's Board of Directors regularly assesses whether the company's internal control and risk management systems are appropriately organised. The Board's assessment is based on e.g. reports prepared by the Group's Internal Audit unit. The Board and the CEO regularly receive information on the Bank's financial position, changes in rules and regulations and compliance with these within the Group.

The work of Internal Audit is subject to the Group's Term of Reference. This guidance states that the internal auditing tasks include ensuring the adequacy and efficiency of internal control and of the controls on administrative, accounting and risk management procedures. Internal Audit also ensures that reporting is reliable and that laws and regulations are complied with appropriately. In the auditing process Internal audit complies with the international internal auditing standards and ethical principles and audit also uses auditing procedures approved by the Group that are based on examining and testing the functioning of the control arrangements.

Local internal auditing is undertaken in cooperation with the Group's Internal Audit. The Bank's Board of Directors approves the yearly plan of internal audit. Internal audit

Danske Bank

reports its auditing work to the Board of Directors and monitors the measures taken in order to reduce the risks detected.

Good control environment practice is based on carefully specified authorisations within the Group, appropriate division of work tasks, regular reporting and the transparency of activities. In management's internal reporting the same principles are observed as in external reporting, and the principles are the same throughout the Group. The Group's common IT system creates the basis for reliable documentation of accounting data and reduces the financial reporting risks.

Management Reporting supports the Banks's senior management by producing monitoring and analysis of the performance. The indicators monitored vary from monitoring of the quantity and quality of activities and operations to reporting of risk-adjusted profitability. Most of the indicators are monitored monthly, but selected indicators are monitored weekly or even daily. Internal Accounting also monitors the Bank's market share and developments among competitors and in the operating environment.

Besides the parties referred to above, supervision at the Bank is also undertaken by the Company's Risk Council. The Council's chairman is the Company's CEO. The purpose of the Risk Council is to oversee the Bank's compliance with all guidance on risk management set by the Board.

More information on the Bank's risk management can be read on page 15.

Risk management disclosure

Risk management general principles and governance
The main objectives of the risk management processes are to ensure that risks are properly identified, risk measurement is independent and the capital base is adequate in relation to the risks. The risks related to the Bank's activities and the sufficiency of the Bank's capitalisation in relation to these risks are regularly evaluated. Clearly defined strategies and responsibilities, together with strong commitment to the risk management process, are our tools to manage risks.

The Board of Directors of the Bank is responsible for ensuring that the Bank's risks are properly managed and controlled. The Board sets the principles of risk management and provides guidance on the organisation of risk management and internal controls. To ensure that the risk governance structure is adequate both in terms of internal and external needs, the Board has established the Risk Council, which is composed of members of the executive management and nominated the Bank's CEO as Chairman of the Council.

The Risk Council's main tasks are:

- to ensure that the Bank is compliant with the risk instructions issued by the Board of Directors
- to ensure that all risk types in the Bank are monitored and reported to relevant parties including the Board of Directors
- to ensure that the Bank's risk position is aligned with the Group's risk strategy
- to ensure that the Group's risk policies are implemented in the Bank
- to ensure that the Bank fulfils all regulatory requirements.

The Bank's day-to-day risk management practices are organised in three lines of defence. This organization ensures a segregation of duties between (1) units that enter into business transactions with customers or otherwise expose the Bank to risk, (2) units in charge of risk oversight and control and (3) the internal audit function.

The first line of defence is represented by the operations and service organisations and their support functions.

Each unit operates in accordance with the risk policies and delegated mandates. The units are responsible for having adequate skills, operating procedures, systems and controls in place to comply with the policies and mandates to exercise sound risk management.

The second line of defence is represented by functions that monitor whether the operations and service organisations adhere to the general policies and mandates. These functions are located in Risk Management and Compliance units.

The third line of defence is represented by Internal Audit.

The Bank's Risk Management, which is an independent unit, monitors the Bank's risk position according to the principles and limits set by the Board of Directors of the Bank. The Chief Risk Officer (CRO) is responsible for adequate and sound oversight of the Bank's risk management, providing an overview of the Bank's risks and creating an overall risk picture.

Finance is responsible for solvency reporting including the ICLAAP process.

The principles and practices of risk management in the Bank are carried out consistently with the risk policies of the Group and supported by the corresponding Group functions. Additional information on the Group level risks and risk approaches can be found in the Group's Annual Report and Risk Management Report for 2022.

Minimum regulatory capital
Banking is a highly regulated business. There are formal rules for minimum capital and capital structure in capital adequacy regulation. Also bank's largest exposures are limited based on the own funds of the bank.

The credit Institutions Act gives multiple options for methods institutions may use in capital adequacy calculation. In December 2017 the Bank got approval from its supervisors to use the Internal Rating Based methodology (IRB) for retail exposures. Hence, the Bank uses IRB approach to its retail portfolio and standard method to other credit risk portfolios. Standard method is used for operational risks.

Capital adequacy is reported quarterly to Finnish Financial Supervisory Authority (FIN-FSA). The Bank fulfilled the regulatory minimum capital requirements in 2022.

Credit institutions are subject to a 3 per cent leverage ratio requirement, which is a binding constraint. The requirement comes from a reform package issued on 7 June 2019 in order to improve the resilience of EU credit institutions.

In December 2022, the Finnish Financial Stability Authority determined the minimum requirement for own funds and eligible liabilities for the Bank. The internal MREL consists of requirement based on the total risk exposure amount ("TREA"), amounting to 19.85 per cent, and a requirement based on the leverage ratio exposure measure ("LRE") amounting to 5.91 per cent. These requirements have to be met in full as from 1 January 2024. Until that the 17.25 per cent requirement based on TREA and a requirement of 5.33 per cent based on LRE, which were set in December 21, 2021 and will remain in force until 31.12.2023.

Minimum capital requirements set by capital adequacy regulation are presented in the Risk Table 1 below. Total capital requirement was EUR 44.7 million at end of 2022 (EUR 40.7 million). In addition to this Pillar 2 requirement from the interest risk is EUR 10 million (EUR 10 million).

RISK TABLE 1 Pillar 1 regulatory capital requirements by portfolio,	Capital requirement		Risk exposure amount	
EURm	2022	2021	2022	2021
Credit and counterparty credit risk:				
Standardised approach:				
Institutions	2.6	0.9	33.0	11.1
Corporates	0.2	0.2	2.3	2.4
Covered bonds	0.5	0.2	5.8	2.0
Other items	0.0	0.0	0.0	0.0
Standardised approach, total	3.3	1.2	41.1	15.5
IRB approach:				
Retail	36.8	34.6	460.3	433.1
Other non-credit obligation	0.0	0.0	0.0	0.0
IRB approach, total	**36.8**	**34.6**	**460.3**	**433.1**
Credit and counterparty credit risk, total	**40.1**	**35.9**	**501.4**	**448.6**
Operational risk - standardised, total	**4.6**	**4.8**	**56.9**	**60.2**
Total risk exposure amount			**558.3**	**508.8**
Total minimum capital requirement	**44.7**	**40.7**		

Capital management process

The Bank follows the capital management practices in the ICAAP (Internal Capital Adequacy Assessment Process) for Pillar II that are defined in the regulatory framework in the Capital Requirements Directive (CRD).

The Bank's ICAAP consists of evaluating all relevant risks that the Bank is exposed to. Besides the Pillar I risk types credit and operational risks the Bank sets capital aside for interest rate risk of the banking book, business risk and, if required by stress tests, for business cycle volatility buffer. Liquidity risk is taken into account through stress testing.

The Bank's ICLAAP (Internal Capital and Liquidity Adequacy Assessment Process) 2021 report has been prepared and approved by the Board of Directors and delivered to supervisors. The ICLAAP 2022 report will be prepared during Q1 2023 as requested by supervisors.

Main risk types

The major risk associated with the Bank's activities is the credit risk arising from the loans. Interest rate risk arising from loan portfolio and its refinancing is hedged by derivatives. Liquidity risk is not significant. Non-financial and business risks are inherent in all business areas.

The mortgage banking result mainly depends on loan and deposit margins, business volumes, the size and structure of the balance sheet, impairment losses and cost efficiency. The margin between loans and deposits in banking, with a hedged interest rate and liquidity risk profile, changes slowly. Possible sources of result fluctuations are unexpected losses in the credit and non-financial risk areas. In addition to these risks sustainability and reputational risks are recognised as cross risk taxonomy risks.

Credit risk

Credit risk is the risk of losses arising because counterparties or debtors fail to meet their payment obligations to the Bank. Credit risk includes country, settlement and counterparty credit risk.

The Bank's loan portfolio consists of Finnish mortgages that have been granted based on the Group's credit policy, and in addition the loans bought to the Bank need to be cover pool eligible. The Bank buys loans when needed from Danske Bank A/S, Finland Branch. The Group's guidelines lay down uniform principles for credit risk taking, with the aim of ensuring high quality in the credit process. Loans that are not cover pool eligible are sold to Danske Bank A/S, Finland Branch on regular basis.

Credit decision authority in the Bank is delegated to the management of the Danske Bank A/S, Finland Branch Credit department and to authorised credit officers in the business units. The amount of the authorisation varies according to customer rating, total exposure and collateral level. All credit applications are initiated and prepared in the business units. Credit decisions are primarily based on rating, loan repayment ability, collateral and other risk mitigates offered, as well as acceptable return on allocated capital.

Customer classification

All customers of the Group are assigned a credit grade describing the creditworthiness of the customer prior to granting of credit facilities in order to ensure good credit quality and provide credit to the customers in the most capital efficient manner. The main objective of the risk classification is to rank customer base according to default risk by estimating the probability of default (PD) of each customer. This credit grade consists of 11 main rating grades and 26 subgrades.

The Bank assigns credit scores to retail customers. The Bank has developed statistical models based on the information it possesses about customers to predict the likelihood that a customer will default. These scoring models utilise public and internal information on the borrower's payment behaviour. The important variables in scoring are e.g. education, employment and other relevant factors in forecasting customer credit worthiness. On top of the statistical calculation, the score can be downgraded to another classification if a risk event is registered on the customer. Risk events are registered both automatically and manually by an advisor. The credit scores are updated monthly through an automated process. For more information about the Bank's classification models, including changes and improvements to the models, see Risk Management 2022 report of the Group.

Credit risks of customers

As part of the loan granting process, the debt servicing capacity is assessed and stressed by using materially higher interest rates compared to current levels. Loans are collateralised by housing company shares or residential real estate. Delinquencies are followed daily.

Credit exposure

The figures in Risk Tables 2 and 3 show the Bank's credit exposure. At the end of 2022 the Bank's lending-related credit exposure activities amounted to EUR 4.1 billion (4.3 billion). Exposures to the Danske Bank Group were EUR 62.8 million (0.4 million) and they are excluded from the tables.

RISK TABLE 2

Credit exposure relating to lending activities by segments, EURm	2022	2021
Public Institutions	29.5	165.1
Personal Customers	4,028.6	4,117.0
Total	**4,058.1**	**4,282.1**

The Bank's credit exposure by credit classification is presented in Risk Table 3.

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RISK TABLE 3
Credit portfolio broken down by rating category and stages in IFRS 9, EURm

	PD level		Gross exposure			Expected Credit Loss			Net exposure			Net exposure, ex collateral		
2022	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	0.00	0.01	-	-	-	-	-	-	-	-	-	-	-	-
2	0.01	0.03	107.5	-	-	0.0	-	-	107.5	-	-	29.5	-	-
3	0.03	0.06	631.8	0.2	-	0.0	0.0	-	631.8	0.2	-	2.1	-	-
4	0.06	0.14	1,286.1	0.6	-	0.1	0.0	-	1,286.0	0.6	-	7.2	-	-
5	0.14	0.31	1,147.1	7.2	-	0.2	0.0	-	1,146.9	7.1	-	8.8	0.0	-
6	0.31	0.63	526.2	55.3	-	0.2	0.1	-	526.1	55.1	-	5.4	0.4	-
7	0.63	1.90	149.3	70.9	-	0.1	0.3	-	149.2	70.6	-	1.7	0.7	-
8	1.90	7.98	9.0	13.9	-	0.0	0.1	-	9.0	13.8	-	0.1	0.4	-
9	7.98	25.70	13.0	8.1	-	0.0	0.1	-	13.0	8.0	-	0.1	0.0	-
10	25.70	99.99	3.3	30.0	-	0.0	1.1	-	3.3	28.9	-	0.1	0.3	-
11 *)	100.00	100.00	0.7	0.6	-	0.0	0.0	0.2	0.7	0.6	-0.2	0.0	0.0	-
Total			**3,873.8**	**186.9**	**-**	**0.6**	**1.8**	**0.2**	**3,873.2**	**185.1**	**-0.2**	**54.8**	**1.8**	**-**

*) Default

	PD level		Gross exposure			Expected Credit Loss			Net exposure			Net exposure, ex collateral		
2021	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	0.00	0.01	-	-	-	-	-	-	-	-	-	-	-	-
2	0.01	0.03	259.8	0.3	-	0.0	0.0	-	259.8	0.3	-	165.4	-	-
3	0.03	0.06	700.3	7.3	-	0.0	0.0	-	700.3	7.3	-	3.1	0.1	-
4	0.06	0.14	1,332.1	14.3	-	0.1	0.0	-	1,332.1	14.3	-	9.9	0.2	-
5	0.14	0.31	1,052.2	24.9	-	0.1	0.0	-	1,052.1	24.9	-	10.7	0.2	-
6	0.31	0.63	515.0	24.4	-	0.1	0.0	-	514.9	24.3	-	6.4	0.5	-
7	0.63	1.90	134.0	128.7	-	0.1	0.5	-	133.9	128.2	-	2.4	1.0	-
8	1.90	7.98	9.7	16.0	-	0.0	0.1	-	9.7	15.9	-	0.2	0.2	-
9	7.98	25.70	2.8	19.9	0.2	0.0	0.1	0.0	2.8	19.8	0.2	0.1	0.1	-
10	25.70	99.99	3.6	32.3	6.0	0.0	0.7	0.1	3.6	31.6	5.9	0.0	0.3	0.1
11 *)	100.00	100.00	0.0	0.2	0.1	0.0	0.0	0.0	0.0	0.2	0.1	0.0	0.0	0.0
Total			**4,009.7**	**268.1**	**6.3**	**0.3**	**1.5**	**0.1**	**4,009.4**	**266.6**	**6.2**	**198.1**	**2.5**	**0.1**

*) Default

The rating distribution is very good. At the end of 2022, the share of customers classified into the seven best rating classes was 98 per cent of the total exposure (98 per cent). Exposures are concentrated to the capital area and to the largest cities.

In relation to loan portfolio, non-performing loans were at low level. Non-performing loans that are delayed for over 90 days amounted to EUR 0.0 million at the end of 2022 (0.4 million). Impairment charges and final write-offs totalled to EUR 1.3 million (2.9 million) of which final write-offs were 0.9 million euros (3.3 million). Non-performing loans are sold regularly to Danske Bank A/S, Finland Branch.

Credit risk mitigation and collateral management

In order to mitigate credit risk, the Bank applies a number of credit risk mitigation measures. The most important ones are collaterals and guarantees. Loans in the Bank have shares of housing company or residential real estates as collateral. All collaterals are located in Finland. Collateral is also a key component in the Group's calculation of economic capital and risk exposure amount.

Collateral is valued in accordance with the Group's written collateral valuation instructions, the requirement in the EU regulation and EBA Guidelines on loan origination and monitoring. All collaterals are valued at the time they are pledged and regularly thereafter.

Residential properties, shares of housing companies and shares of real estate companies in residential use must be assessed by a valuer who is independent of the credit decision process. An independent valuer refers to a person who has sufficient qualifications for and experience in valuation. Valuations are made within the Group by an independent valuator or in some cases, external independent valuators are used.

The latest housing price information is followed regularly and monitored at least quarterly. The risk of changes in fair value is covered by a similar haircut process throughout the Group. Risk Table 4 presents the amount of collateral allocated to agreements after haircuts, thus possible over collateralisation is not visible.

RISK TABLE 4

Types of collateral, EURm	2022	2021
Real property	3,979.0	4,527.5
Bank accounts	3.8	6.8
Custody accounts/securities	0.6	0.8
Guarantees	47.9	62.2
Other assets	0.0	0.0
Total	**4,031.3**	**4,597.3**

Non-performing assets and forbearance
The Bank applied the same principles as the Group in non-performing asset and forbearance loan management.

From the beginning of 2018, the Group has defined non-performing loans as facilities in stage 3. For retail exposures, only impaired facilities are included in non-performing loans. For non-retail exposures with one or more non-performing loans, the entire amount of the customer's exposure is considered non-performing.

From August 2021 all exposures in stage 3 are considered as non-performing loans.

The Bank can make use of forbearance measures to assist the customers in financial difficulties and to minimize credit losses. Concessions granted to customers include interest-only schedules, temporary payment holidays, term extensions, cancellation of outstanding fees and in exceptional cases temporary interest-reduction schedules. Because of the length of the workout processes, the Group is likely to maintain impairments for forbearance customers in stage 3 for several years even though customer starts to pay back loan normally.

Forbearance plans must comply with the Group's Credit Policy. They are used as an instrument to maintain longterm customer relationships during economic downturn if there is a realistic possibility that the customer will be able to meet obligations again. The purpose of the plans is therefore to minimise loss in the event of default.

If it proves impossible to improve a customer's financial situation by forbearance measures, the Group will consider whether to subject the customer's assets to a forced sale or whether the assets could be realised later at higher net proceeds.

In 2022 corona crises did not impact to customers remarkably and the number of concessions has been on the same level as before the corona crices.

Market risk
Market risk is defined as the risk of losses caused by changes in the market value of financial assets, liabilities and off-balance sheet items resulting from changes in market prices or rates. Market risk in the Bank consists of the EUR interest rate risk and credit spread risk in the banking book. Interest rate risk is composed of yield curve risk, basis risk, and option risk arising from reference rate floors on floating rate loans. The Bank measures the effects of interest rate risk on valuation changes based on net present value and earnings at risk.

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Governance and limit structure

The Bank's Board of Directors approves the market risk policy and overall limits for market risk. The Board also decides on the general principles for managing and monitoring market risks based on the market risk policy and delegated market risk limits provided by the Group. The Chief Executive Officer (CEO) is responsible for the market risks. The Bank's Treasury actively manages market risks within the set of allocated limits. Trades related to position management are executed in the Treasury and Trading function of the Group.

Measurement, monitoring and management reporting on market risks are carried out in Risk Management. Market risk exposure is calculated in a limit control system that is linked to the trading systems. Limits are monitored systematically, and in case of limit violations, follow-up procedures have been established. In addition, Risk Management monitors risk levels intraday and conducts intra-day spot checks.

Market risk position

The Bank's banking book interest rate risk arises primarily from issued covered bonds, mortgages and derivatives hedging both of these items. Also the liquidity buffer bonds and short-term funding have an impact on the interest rate risk. The goal is to hedge the balance sheet in a way that interest rate risk changes do not have essential impact on the Banks profitability. During 2022 the Bank had only EUR denominated business activities. As part of the limit monitoring the banking book interest rate position is stress tested by a 1 percentage point parallel increase and decrease of yield curves as well as with regulatory scenarios.

The bank also estimates interest rate risk exposure in the banking book from the earnings perspective, called net interest income (NII) risk. It is measured as the projected loss of earnings over a 12 month period upon a parallel shift up or down in yields of 1 percentage point while balance sheet structure remains unchanged. In risk measurement, interest rate levels cannot fall below the determined floor level of -2 per cent.

At the year-end of 2022, net present value based interest rate risk of the Bank in the scenario of parallel downward shift of one percent across the yield curve is EUR -0.8 million (EUR -0.4 million). Correspondingly, earnings based risk of the Bank in the scenario of parallel shift of one percent across the yield curve is EUR -3.6 million (EUR -5.9 million).

Liquidity risk

Liquidity risk means the risk that the costs to obtain funds becomes excessive, lack of financing prevents the Bank from maintaining its current business model, or the Bank ultimately cannot fulfil its payment obligations due to lack of funds. The Board of Directors has approved a liquidity policy for the Bank. The policy specifies the aims, limits, calculation and responsibilities of all parts of the Bank's liquidity risk control and management.

The Bank minimises the short term liquidity risk. The Bank conforms to the Liquidity Coverage Ratio (LCR) defined in Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR).

Structural liquidity risk is an inherent part of the Bank's business strategy and it is managed in support of a cautious and conservative risk profile. The Bank adapts and anticipates foreseeable regulatory requirements on structural liquidity risk management and complies with requirements of net stable funding ratio (NSFR) that became binding in 28th June 2021.

The Bank's Treasury is responsible for the practical and day-to-day liquidity management and execution of the Policy. Risk Management is responsible for day-to-day monitoring, controlling and reporting the liquidity risk limits. The Bank has a liquidity line from Danske Bank A/S for short and medium term funding needs.

Liquidity management is based on monitoring and management of short-term and long-term liquidity risks. The management of operational liquidity risk aims primarily at ensuring that the Bank always has a liquidity buffer that is able, in the short term, to absorb the net effects of current transactions and expected changes in liquidity, under both normal and stressed conditions. The Bank's liquidity buffer consists of deposits in the central bank and central bank eligible high quality liquidity bonds.

Risk Table 5 presents the Bank's financial liabilities at the end of 2022 divided by maturity profile. The liabilities, which have no contractual maturities, are included in section "< 3 months".

RISK TABLE 5.
Maturity profile of financial liabilities based on contractual maturities, EURm.

	2022				
Liabilities	Total	< 3 months	3-12 months	1-5 years	> 5 years
Due to credit institutions and central banks	390.1	0.1	-	390.0	-
Debt securities in issue	3,228.2	-	758.9	1,623.5	845.8
Financial liabilities total	**3,618.2**	**0.1**	**758.9**	**2,013.5**	**845.8**
Undrawn loans, overdraft facilities and other	-	-	-	-	-

	2021				
Liabilities	Total	< 3 months	3-12 months	1-5 years	> 5 years
Due to credit institutions and central banks	1.732.5	12.5	620.0	1.100.0	-
Debt securities in issue	2.245.3	0.1	2.9	1.244.9	997.4
Financial liabilities total	**3.977.8**	**12.6**	**622.9**	**2.344.9**	**997.4**
Undrawn loans, overdraft facilities and other	-	-	-	-	-

Non-financial risk

Non-financial risk is the risks of losses resulting from inadequate or failed internal processes or systems, staff or from external events.

In the Bank reputation risk is assessed and managed in line with the non-financial risk management approach and can be seen as a consequence of non-financial risk events or a failure to comply with the laws and rules, or self-regulatory organisation standards and code of conduct applicable to the Bank.

Non-financial risks are divided into the following categories:

- Model risks
- Operational risks
- Technology and Data risks
- Financial control and strategic risks
- Financial crime risks
- Regulatory Compliance risks

The Bank defines non-financial risk events as non-financial risks, which have occurred and have resulted in financial losses/gains or could have resulted in financial losses/gains (a near miss event). Non-financial risk event may also have a reputational impact, customer impact or regulatory impact. The management of non-financial risks enhances the efficiency of the Bank's internal processes and decreases fluctuations in returns.

The Bank's Board of Directors approves proper and effective non-financial risk policy, which creates a framework for managing non-financial risks. Risk Management is responsible for the independent oversight of non-financial risk management and governance, and it performs a consulting and review role to the Bank's approach to non-financial risk management. Internal audit assesses the adequacy and efficiency of internal control and risk management. The compliance function assists management in ensuring that the Bank and its employees comply with applicable laws and regulations as well as ethical standards in order to mitigate the Bank's compliance risk.

The Bank applies the Group's approach for identification, assessment and management of non-financial risks. The Bank conducts on ongoing basis the non-financial risk identification and assessment process to identify all material internal and external non-financial risks facing the organisation. In addition, likelihood, monetary, customer, regulatory and reputational impacts of the identified risks are assessed. The process also includes monitoring of the identified risks. Local key controls and possible key risk indicators are identified for the material risks, so that the status of the risks can be monitored over time. Action plans for material risks where the level of internal control has been assessed to be ineffective are established. General mitigation strategies for key risks are developed and implemented by the Group and local mitigation strategies are developed and implemented by the Bank. The Bank's Management Team, Risk Council and the Board of Directors are regularly informed about the Bank's material non-financial risks.

The Bank operates under a culture of open disclosure of risks in which staff should report errors and weaknesses within the Bank so future losses may be minimised by taking preventative measures. Each employee within the Bank is responsible for the day-to-day management of non-financial risks and reporting of actual events within their respective area. It is the responsibility of persons in charge of the outsourced services in resource areas to identify and manage the risks for which they are accountable and disclose information on non-financial risk events. Non-financial risk events are regularly reported to the Bank's Risk Council and Board of Directors.

IFRS financial statements

Statement of comprehensive income			
EURm	Note	1-12/2022	1-12/2021
Interest income calculated using the effective interest method	1	37.4	31.7
Other interest income	1	7.4	22.4
Interest expense	1	12.5	17.9
Net interest income	1	32.3	36.2
Fee income	2	1.6	2.1
Fee expenses	2	0.0	0.0
Net result from items at fair value	3	-2.4	-0.8
Other income		0.3	0.2
Total operating income		**31.9**	**37.7**
Staff costs	4	0.7	0.7
Other operating expenses	5	13.6	17.0
Total operating expenses		**14.3**	**17.7**
Loan impairment charges	6	1.3	2.9
Profit before taxes		**16.3**	**17.1**
Taxes	7	3.3	3.4
Net profit after tax		**13.1**	**13.7**
Total comprehensive income for the financial year		**13.1**	**13.7**

Balance sheet			
EURm	Note	12/2022	12/2021
Assets			
Cash and balances with central banks	11	29.5	165.1
Loans and receivables to credit institutions	11	62.8	4.4
Trading portfolio assets	12	21.3	9.0
Loans and receivables to customers	6	4,028.6	4,117.0
Tax assets	13	-	0.4
Other investment securities	10	91.5	35.4
Other assets	14	3.6	1.0
Total assets		**4,237.3**	**4,332.3**
Liabilities			
Due to credit institutions and central banks	15	390.1	1,732.5
Trading portfolio liabilities	12	256.6	13.8
Debt securities in issue	16	3,228.2	2,245.3
Tax liabilities	13	0.6	-
Other liabilities	17	9.0	0.9
Total liabilities		**3,884.4**	**3,992.5**
Equity			
Share capital		70.0	70.0
Reserves		215.0	215.0
Retained earnings		67.9	54.8
Total equity		**352.9**	**339.8**
Total equity and liabilities		**4,237.3**	**4,332.3**

Statement of changes in equity EURm	Share capital	Reserve for invested un-restricted equity	Retained earnings	Total
Equity at 1 January 2022	**70.0**	**215.0**	**54.8**	**339.8**
Total comprehensive income			13.1	13.1
Equity at 31 December 2022	**70.0**	**215.0**	**67.9**	**352.9**

Statement of changes in equity EURm	Share capital	Reserve for invested un-restricted equity	Retained earnings	Total
Equity at 1 January 2021	**70.0**	**215.0**	**41.2**	**326.2**
Total comprehensive income			13.7	13.7
Equity at 31 December 2021	**70.0**	**215.0**	**54.8**	**339.8**

Cash flow statement

The Bank has prepared its cash flow statement according to the indirect method. The statement is based on the pre-tax profit for the year and shows the cash flows from operating activities and the increase or decrease in cash and cash equivalents during the financial year.

Cash and cash equivalent consists of cash in hand and demand deposits with central banks and amounts due from credit institutions and central banks with original maturities shorter than three months.

EURm	1-12/2022	1-12/2021
Cash flow from operations		
Profit before tax	16.3	17.1
Loan impairment charges	1.3	2.9
Tax paid	-2.3	-3.7
Other non-cash operating items	5.6	-19.9
Total	**20.9**	**-3.6**
Changes in operating capital		
Due to credit institutions	-1,342.4	-56.8
Trading portfolio	230.5	66.8
Other financial instruments	-56.1	5.4
Loans and receivables	87.1	1,504.1
Debt securities in issue net [1]	982.9	-1,555.0
Other assets/liabilities	20.6	-0.3
Cash flow from operations	**-56.5**	**-39.4**
Cash and cash equivalents, beginning of period	148.8	188.2
Change in cash and cash equivalents	-56.5	-39.4
Cash and cash equivalents, end of period	**92.2**	**148.8**
Cash in hand and demand deposits with central banks [2]	29.5	144.4
Amounts due from credit institutions and central banks within 3 months	62.8	4.4
Total	**92.2**	**148.8**

1) Debt securities in issue are presented separately including both debt securities issued and matured during the financial year.
2) The minimum reserve is not included in the amount.

Reconciliation of liabilities arising from financing activities

On 31st December 2022 there were no liabilities arising from financing activities.

Danske Mortgage Bank Plc notes to the financial statements

Accounting principles

Summary of Significant Accounting Policies and Estimates

General
The Bank prepares its financial statements in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB) and IFRIC Interpretations issued by the IFRS Interpretations Committee, as endorsed by the EU. In addition, certain requirements in accordance with the Finnish Accounting Act, the Finnish Act on Credit Institutions, the Finnish Financial Supervisory Authority's regulations and guidelines and the decision of the Ministry of Finance on financial statements and consolidated statements of credit institutions have also been applied.

The financial statements are presented in euro (EUR), in million euros with one decimal, unless otherwise stated. The Risk management Disclosure is presented in euro (EUR), in million euros with one decimal. The figures in notes are rounded so combined individual figures might differ from the presented total amount.

For the purpose of clarity, the primary financial statements and the notes to the financial statements are prepared using the concepts of materiality and relevance. This means that the line items not considered material in terms of quantitative and qualitative measures or relevant to financial statement users are aggregated and presented together with other items in the primary financial statements. Similarly, information not considered material is not presented in the notes.

Significant accounting policies have been incorporated into the notes to which they relate. Except the changes presented below, the Bank has not changed its significant accounting policies from those applied in the Annual Report 2021.

Financial statements is adopted by general meeting on 10. March 2023.

Changes to significant accounting policies and presentation during the year
On 1 January 2022, the Bank implemented the amendments to IAS 16, IAS 37, IFRS 3 and Annual Improvements to IFRS Standards 2018-2020. The implementation of the amendments to IFRSs had no impact on the financial statements.

Standards and interpretations not yet in force
The International Accounting Standards Board (IASB) has issued one new accounting standard (IFRS 17) and amendments to existing international accounting standards (IFRS 16, IAS 1, IAS 8 and IAS 12), that have not yet come into force. The Bank has not early adopted any of the changes. No significant impact is expected from the changes to IFRS.

Critical judgements and estimation uncertainty
Management's judgement, estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the financial statements. The estimates and assumptions that are deemed critical to the financial statements are regarding the measurement of loans and receivables. The estimates and assumptions are based on premises that management finds reasonable but are inherently uncertain and unpredictable. The premises may be incomplete, unexpected future events or situations may occur, and other parties may arrive at other estimated values

Measurement of expected credit losses on loans, financial guarantees and loan commitments and bonds measured at amortised cost
The three-stage expected credit loss impairment model in IFRS 9 depends on whether the credit risk has increased significantly since initial recognition. The impairment charge for expected credit losses depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the impairment charge equals the expected credit losses resulting from default events that are possible within the next 12 months (stage 1).

If the credit risk has increased significantly, the loan is more than 30 days past due, or the loan is in default or otherwise impaired, the impairment charge equals the lifetime expected credit losses (stages 2 and 3). The allowance account is relatively stable in terms of changes to the definition of significant increase in credit risk. Non-performing loans are sold back to Danske Bank A/S, Finland Branch.

The expected credit loss is calculated for all individual facilities as a function of probability of default (PD), exposure at default (EAD) and loss given default (LGD) and it incorporates forward-looking information. The estimation of expected credit losses involves forecasting future economic conditions over a number of years. Such forecasts are subject to management judgement and those judgements may be sources of measurement uncertainty that have a significant risk of resulting in a material adjustment to a carrying amount in future periods. The incorporation of forward-looking elements reflects the expectations of the Group's senior management and involves the creation of scenarios (base case, upside and downside), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. The scenarios used are described more closely in the following section.

Accounting treatment of the impacts from the Ukraine War

In 2022, financial markets have been under pressure due to the uncertainty caused by high inflation and energy prices as a consequence of the war in Ukraine, which has exacerbated macroeconomic uncertainties. The Group and Bank have considered the impact of the war on critical areas such as the credit portfolio and macroeconomic scenarios. The Bank almost has no direct exposures to customers in or from Russia, Ukraine or Belarus. The share of such loans are just 0.2 million euro. However, the bank's macroeconomic scenarios have been updated to reflect expectations of higher inflation and interest, which are fuelled by the war in Ukraine.

The forward-looking information is based on a three-year forecast period converging to steady state in year seven. That is, after the forecast period, the macroeconomic scenarios revert slowly towards a steady state.

The applied scenarios that drive the expected credit loss calculation in 2022 have been updated with the latest macroeconomic data. Compared to the end of 2021, all three scenarios have been revised to reflect expectations of higher inflation and interest rate hikes fuelled by the war in Ukraine. The scenario weighting remained unchanged from the end of 2021.

The base case is an extension of the Group's official view of the Nordic economies (the Nordic Outlook report). At 31 December 2022, the base case scenario reflects an expectation of high inflation and interest rates fuelled by the war in Ukraine. This results in a weaker GDP growth due to soaring energy costs, skills shortages and wage pressures that affect consumers and businesses in the Nordic economies. House prices have been revised downwards to larger decrease, which is a consequence of the increasing interest rates.

The upside scenario represents a slightly better outlook than the base case scenario across the macroeconomic parameters. In this scenario, the global inflation declines which allows the central banks to ease the tightening pace, which lowers bond yields and boosts equity markets. Consumer sentiment increases and consumers run down a large proportion of the savings accumulated during the crisis.

The Group's downside scenario is a stagflation scenario, calibrated to a level of severity resembling the recession in 2008-2009, however with high interest rates and high inflation. A trigger of the economic setback could be continued macroeconomic worsening and challenges linked to high business costs while inflation remains elevated. This adversely impacts the labour market, results in higher and more persistent unemployment. This would lead to a severe slowdown in the economies in which the Bank is represented.

Forecasts are produced for the coming three years. After this period, the outlook returns to a steady-state level after a further four years.

Based on these assessments, the allowance account at 31 December 2022 amounted to EUR 2.7 million (31 December 2021 EUR 2.0 million). Loans accounted at 31 December 2022 for about 95.1 % of total assets (31 December 2021: 95.0 %).

Except as described above, all other policies and principles remain in place.

More information regarding expected credit losses, nature and extent of risks arising from financial instruments can be found in Risk Management Disclosure starting from page 15.

Translation of transactions in foreign currency
The presentation currency of the financial statement is euro, which is also the functional currency. Transactions in foreign currency are translated at the exchange rate of the transaction date. Gains and losses on exchange rate differences between the transaction date and the settlement date are recognised in the income statement.

Non-monetary assets and liabilities in foreign currency that are subsequently revalued at fair value are translated at the exchange rates at the date of revaluation. Exchange rate adjustments are included in the fair value adjustment of an asset or liability. Other non-monetary items in foreign currency are translated at the exchange rates at the transaction date.

Segment information

Danske Mortgage Bank Plc has only one business segment and therefore separate segment report outlined in IFRS 8 is not presented

Other notes

1. Net interest income

Interest income and expenses arising from interest-bearing financial instruments measured at amortised cost are recognised in the income statement according to the effective interest method on the basis of the cost of the individual financial instrument. Interest includes amortised amounts of fees that are an integral part of the effective yield on a financial instrument, such as origination fees and amortised differences between cost and redemption price, if any.

Interest income and expenses also include interest on financial instruments measured at fair value through profit or loss, but not interest on assets and deposits under pooled schemes and unit-linked investment contracts; the latter is recognised under Net result from items at fair value.

EURm Interest income calculated using effective interest method	1-12/2022	1-12/2021
Loans and receivables to credit institutions	0.1	-1.5
Loans and receivables to customers	37.4	32.9
Other interest income	0.0	0.2
Total	**37.4**	**31.7**
Interest income		
Debt securities	-0.1	0.0
Derivatives, net	7.4	22.4
Total	**7.4**	**22.4**
Interest expenses		
Amounts owed to credit institutions	0.0	-6.1
Debt securities in issue	12.4	24.0
Other interest expenses	0.0	0.0
Total	**12.5**	**17.9**
Net interest income	**32.3**	**36.2**
Of which entities of the same group		
Interest income	7.5	22.1
Interest expenses	0.0	-6.1

Negative interest income and negative interest expenses during 2022 amounted to 0.0 million euros (2021: 1.5 million euros) and 0.0 million euros (2021: 6.1 million euros), respectively. Negative interest income is offset against interest income and negative interest expense against interest expenses.

2. Fee income and expenses

Fee income and expenses are presented on a net fee income basis as presented to key management for decision making purposes. Net fee income is broken down by fee type, on the basis of the underlying activity. Fee income consists mainly of loan invoicing fees and loan change fees. Fees that form an integral part of the effective rates of interest loans, advances and deposits are carried under Interest income or Interest expense.

Fee income is recognised to reflect the transfer of services to customers at an amount that reflects the consideration that is expected to be received in exchange for such services. The Bank identifies the performance obligation agreed with the customer, and recognises consideration and income in line with the transfer of services.

EURm **Net fee income by fee type**	1-12/2022	1-12/2021
Loan fees and Guarantees	1.6	2.1
Other	0.0	0.0
Total, fee income	**1.6**	**2.1**
Fee expenses	0.0	0.0
Total	**1.6**	**2.1**

3. Net result from items at fair value

Net result from items at fair value includes realised and unrealised capital gains and losses on financial assets and financial liabilities recognised at fair value through profit or loss as well as exchange rate adjustments.

For financial assets and liabilities subject to fair value hedge accounting, the fair value adjustments of the hedged financial instrument and the hedging instruments are recognised in Net result from items at fair value. Therefore, any hedge ineffectiveness is presented in Net result from items at fair value.

EURm	1-12/2022	1-12/2021
Net result from items at fair value	**-2.4**	**-0.8**
Net result from categories of financial instruments		
Loans and deposits	-25.2	-7.0
Bonds (investment securities)	-1.3	-0.3
Issued bonds	263.1	57.7
Trading portfolio assets and liabilities (Derivatives)	-238.9	-51.2
Total	**-2.4**	**-0.8**

4. Staff costs

Salaries and other remuneration that the Bank expects to pay for work carried out during the year are expensed under Staff costs and administrative expenses. This item includes salaries, holiday allowances, pension costs and other remuneration. Performance-based pay is expensed as it is earned. Part of the performance-based pay for the year is paid in the form of conditional shares to Management and other material risk takers. More about remuneration can be read in the Bank's remuneration policy on Internet: www.danskebank.com/investor-relations/debt/danske-mortgage-bank under section Remuneration.

The Bank's pension obligations consist of defined contribution benefit pension plan for its personnel under the Employees' Pensions Act (TyEL) in Finland and no voluntary supplimentary pension benefits has been granted. Under defined contribution pension plans, the Bank pays regular contributions to insurance company and has no legal or constructive obligations to pay future contribution. Such payments are expensed as they are earned by the staff, and the obligations under the plans are taken over by the insurance companies and other institutions. The retirement age of the Managing Director and Deputy Managing Director is statutory.

The Group is required to identify all employees whose professional activities could have a material impact on the risk profile of the Bank in accordance with current legislation. In Danske Mortgage Bank Plc, there are six Risk Takers including managing Director and Deputy managing Director.

EURm **Staff costs**	1-12/2022	1-12/2021
Wages and salaries	0.6	0.6
of which variable remuneration	0.0	0.0
Pension costs - defined contribution plans	0.1	0.1
Other social security costs	0.0	0.0
Other	0.1	0.1
Staff costs, total	**0.7**	**0.7**

Compensation paid by the Bank for termination of employment contracts is determined in accordance with legislation in force. During the accounting period the Bank has not paid any signing bonuses for new employees or granted severance packages.

Average staff numbers	1-12/2022	1-12/2021
Full-time staff	6	6

Key management personnel

The key management personnel in Danske Mortgage Bank Plc consists of the members of the Board of Directors of the Bank, Managing Director and Deputy Managing Director.

Management's and board of directors' remuneration EUR 1,000	1-12/2022	1-12/2021
Remuneration for Managing Director, Deputy Managing Director	299.8	293.8
Remuneration for the members of Board of Directors	32.0	32.0

The members of the Board of Directors of the Bank, who are employees of the Group, receive no remuneration for the membership of the Bank's Board of Directors.

Loans and receivables from management

Management includes key management personnel with close family members and entities that are controlled or significantly influenced by these. There has not been loans or receivables from key management personnel in accounting periods 2022 and 2021.

Share-based payments

Effective from 2018, Danske Mortgage Bank Plc has granted rights to conditional shares to the Management and other material risk takers as part of the variable remuneration. Incentive payments reflected individual performance and also depended on financial results and other measures of value creation for a given year. Rights were granted in the first quarter of the year following the year in which they were earned. The fair value of share-based payments at the grant date is expensed over the service period that unconditionally entitles the employee to the payment.

Conditional shares – programme 2018

Rights to the Danske Bank A/S shares under the conditional share programme vest up to four years after being granted provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to this requirement, rights to shares vest only if the Group as a whole and the employee´s department meet certain performance targets within the next three years. Rights to buy the Danske Bank A/S shares under the conditional share programme are granted as a portion of the annual bonus earned.

The fair value of the conditional shares is calculated as the share price less the payment made by the employee. Intrinsic value is expensed in the year in which rights to conditional shares are earned, while the time value is accrued over the remaining service period, which is the vesting period of up to three years.

	Number of shares			Fair value (1000 EUR)	
Conditional shares	Top Manage-ment	Total	Employee payment price (EUR)	At issue	End of year 2022
Granted 2019					
2019, beg.					
Granted 2019	618	618		10.3	8.9
Exercised 2019	-371	-371			
Forfeited 2019	-	-			
Other changes 2019	-	-			
2019, end	**247**	**247**	-	**4.1**	**3.6**
Vested 2020	-	-			
Exercised 2020	-	-			
Forfeited 2020	-	-			
Other changes 2020	-	-			
2020, end	**247**	**247**	-	**4.1**	**3.3**
Vested 2021	-	-			
Exercised 2021	-	-			
Forfeited 2021	-	-			
Other changes 2021	-	-			
2021, end	**247**	**247**	-	**4.1**	**3.8**
Vested 2022	-	-			
Exercised 2022	-	-			
Forfeited 2022	-	-			
Other changes 2022	-	-			
2022, end	**247**	**247**	-	**4.1**	**4.6**
Granted 2020					
2020, beg.					
Granted 2020	1,115	1,115		14.5	15.1
Exercised 2020	-669	-669			
Forfeited 2020	-	-			
Other changes 2020	-	-			
2020, end	**446**	**446**	-	**5.8**	**6.0**
Vested 2021	-	-			
Exercised 2021	-	-			
Forfeited 2021	-	-			
Other changes 2021	-	-			
2021, end	**446**	**446**	-	**5.8**	**8.2**
Vested 2022	-	-			
Exercised 2022	-	-			
Forfeited 2022	-	-			
Other changes 2022	-	-			
2022, end	**446**	**446**	-	**5.8**	**8.2**

Conditional shares	Number of shares: Top Manage-ment	Total	Employee payment price (EUR)	Fair value (1000 EUR): At issue	End of year 2022
Granted 2021					
2021, beg.					
Granted 2021	655	655		10.6	12.1
Exercised 2021	-393	-393			
Forfeited 2021	-	-			
Other changes 2021	-	-			
2021, end	**262**	**262**	**-**	**4.2**	**4.8**
Vested 2022	-	-			
Exercised 2022	-	-			
Forfeited 2022	-	-			
Other changes 2022	-	-			
2022, end	**262**	**262**	**-**	**4.2**	**4.8**
Granted 2022					
2022, beg.					
Granted 2022	704	704		10.9	13.0
Exercised 2022	-424	-424			
Forfeited 2022	-	-			
Other changes 2022	-	-			
2022, end	**280**	**280**	**-**	**4.3**	**5.2**

Conditional shares: Calc. used to calculate the fair value of conditional shares as of 31 December 2022	Share price at grant date (DKK)	Share price at year end (DKK)	EUR : DKK	Share price at grant date (EUR)	Share price at year end (EUR)
Granted in 2019	124.21	137.30	7.4365	16.70	18.46
Granted in 2020	96.60	137.30	7.4365	12.99	18.46
Granted in 2021	120.51	137.30	7.4365	16.21	18.46
Granted in 2022	114.76	137.30	7.4365	15.43	18.46
Conditional shares: Calc. used to calculate the fair value of conditional shares as of 31 December 2021					
Granted in 2019	124.21	112.95	7.4365	16.70	15.19
Granted in 2020	96.60	112.95	7.4365	12.99	15.19
Granted in 2021	120.51	112.95	7.4365	16.21	15.19
Conditional shares: Calc. used to calculate the fair value of conditional shares as of 31 December 2020					
Granted in 2019	124.21	100.65	7.4393	16.70	13.53
Granted in 2020	96.60	100.65	7.4393	12.99	13.53
Conditional shares: Calc. used to calculate the fair value of conditional shares as of 31 December 2019					
Granted in 2019	124.21	107.80	7.4698	16.63	14.43

5. Other operating expenses and audit fees and financial stability authority contributions

EURm		
Other operating expenses	**1-12/2022**	**1-12/2021**
Financial stability fund expenses	1.8	1.3
Other services *)	11.8	15.7
Other operating expenses, total	**13.6**	**17.0**

**) Other operating expenses is mainly coming from the costs from services bought from the Group.*

1000 EUR		
Audit fees	**1-12/2022**	**1-12/2021**
Audit	74.9	59.9
Audit-related services	24.8	22.3
Audit fees, total (incl. VAT)	**99.7**	**82.2**

Financial stability authority contributions

The Financial Stability Authority manages the Financial Stability Fund, which includes the Resolution Fund. Contributions used for building up the Resolution Fund are collected from all credit institutions and investment firms within the scope of the resolution legislation. The contributions are determined based on the size of the institution and risks involved in its business.

The contributions of credit institutions are determined on the level of the Banking Union, and they are calculated by the Single Resolution Board (SRB). In the Banking Union, a single target level for the Single Resolution Fund is introduced gradually. In other words, the annual individual contributions of Finnish institutions is increasingly dependent on the aggregate amount of covered deposits in the entire Banking Union, not only in Finland.

Financial stability authority contributions EURm		
	1-12/2022	**1-12/2021**
Financial stability authority contributions		
Resolution contributions	1.7	1.3
Administration fee	0.0	0.0
Financial stability authority contributions, total	**1.8**	**1.3**

6. Loan impairment charges and loans and receivables from customers

The Bank buys the loans from Danske Bank A/S, Finland Branch. Loans and receivables consists of loans and receivables that have been granted to customers by Danske Bank A/S, Finland Branch and have been acquired after disbursement. Loans and receivables includes conventional bank loans, except for transactions with credit institutions and central banks.

At initial recognition, loans and receivables are measured at fair value plus transaction costs. Subsequently, they are measured at amortised cost, according to the effective interest method, less impairment charges for expected credit losses. The difference between the value at initial recognition and the redemption value is amortised over the term to maturity and recognised under Interest income. If fixed-rate loans and receivables and amounts due are accounted for under hedge accounting that is determined effective, the fair value of the hedged interest rate risk is added to the amortised cost of the assets.

EURm Loans and receivables from customers	Stage 1	Stage 2	Stage 3	2022 Total
Gross carrying amount 1 January 2022	3,844.6	268.1	6.3	4,119.0
Transferred to Stage 1	143.6	-143.0	-0.5	-
Transferred to Stage 2	-99.2	100.0	-0.8	-
Transferred to Stage 3	-	-	-	-
New assets	676.6	26.1	-	702.8
Assets derecognised	-372.1	-43.6	-4.9	-420.6
Other *)	-349.1	-20.7	-0.1	-369.8
Gross carrying amount 31 December 2022	**3,844.4**	**186.9**	**0.0**	**4,031.3**

**) includes loan repayments*

EURm Loans and receivables from customers	Stage 1	Stage 2	Stage 3	2021 Total
Gross carrying amount 1 January 2021	5,173.7	449.9	2.7	5,626.2
Transferred to Stage 1	79.7	-79.7	-	-
Transferred to Stage 2	-107.3	107.3	-	-
Transferred to Stage 3	-2.3	-4.0	6.3	-
New assets	97.2	2.7	-	99.9
Assets derecognised	-1,028.5	-188.8	-2.7	-1,220.0
Other	-367.9	-19.3	-	-387.1
Gross carrying amount 31 December 2021	**3,844.6**	**268.1**	**6.3**	**4,119.0**

**) includes loan repayments*

Impairment for expected credit losses

The impairment charge for expected credit losses depends on whether the credit risk has increased significantly since initial recognition and follows a three stage model:

- Stage 1: If the credit risk has not increased significantly, the impairment charge equals the expected credit losses resulting from default events that are possible within the next 12 months.
- Stage 2: If the credit risk has increased significantly, the loan is transferred to stage 2 and an impairment charge equal to the lifetime expected credit losses is recognised.
- Stage 3: If the loan is in default, it is transferred to stage 3, for which the impairment charge continues to equal the lifetime expected credit losses but with interest income being recognised on the net carrying amount.

The expected credit loss is calculated for all individual facilities as a function of the probability of default (PD), the exposure at default (EaD) and the loss given default (LGD) and incorporates forward looking elements. For facilities in stages 2 and 3, the lifetime expected credit losses cover the expected remaining lifetime of a facility.

Expected credit loss impairment charges are booked in an allowance account and allocated to individual exposures.

The Bank sells non-performing loan agreements back to Danske Bank A/S, Finland Branch.

Loan impairment charges EUR 1,000	1-12/2022	1-12/2021
Impact of net remeasurement of ECL (incl. changes in models)	1,402.9	3,049.5
ECL on assets derecognised	-146.2	-158.3
Decrease of provisions to cover realised loan losses	-924.2	-3,258.2
Final write-offs	924.2	3,255.2
Interest income, effective interest method	0.0	-0.1
Total	**1,256.7**	**2,888.2**

Reconciliation of total allowance account EUR 1,000	Stage 1	Stage 2	Stage 3	2022 Total
Balance at the beginning of period	323.4	1,517.9	144.5	1,985.9
Transferred to Stage 1 during the period	809.4	-791.8	-17.6	-
Transferred to Stage 2 during the period	-21.1	45.2	-24.1	-
Transferred to Stage 3 during the period	-1.2	-117.7	118.9	-
ECL on new assets	-	-	-	-
ECL on assets derecognised	24.5	-99.3	-71.4	-146.2
Impact of net remeasurement of ECL (incl. changes in models)	-606.8	1,219.5	802.6	1,415.3
Write-offs debited to the allowance account	-89.4	-27.9	-806.9	-924.2
Other changes	197.4	39.9	99.4	336.6
Balance at end of period	**636.7**	**1,785.7**	**245.4**	**2,667.8**

Reconciliation of total allowance account EUR 1,000	Stage 1	Stage 2	Stage 3	2021 Total
Balance at the beginning of period	457.9	1,748.2	20.9	2,226.7
Transferred to Stage 1 during the period	277.0	-275.0	-2.0	-
Transferred to Stage 2 during the period	-80.7	88.6	-7.9	-
Transferred to Stage 3 during the period	-3.9	-143.8	147.7	-
ECL on new assets	77.3	-	-	77.3
ECL on assets derecognised	-62.8	-95.5	-	-158.3
Impact of net remeasurement of ECL (incl. changes in models)	-239.7	2,818.2	477.1	3,055.6
Write-offs debited to the allowance account	-105.0	-2,675.0	-478.2	-3,258.2
Other changes	3.2	52.4	-13.4	42.1
Balance at end of period	**323.4**	**1,517.9**	**144.2**	**1,985.6**

Significant increase in credit risk (transfer from stage 1 to stage 2)

The classification of facilities between stages 1 and 2 for the purpose of calculating expected credit losses depends on whether the credit risk has increased significantly since initial recognition. The assessment of whether credit risk has increased significantly since initial recognition is performed by considering the change in the risk of default occurring over the remaining life time of the facility and incorporating forward-looking information. A facility is transferred from stage 1 to stage 2 based on observed increases in the probability of default:

- For facilities originated below 1% in PD: An increase in the facility's 12-month PD of at least 0.5 percentage points and a doubling up of the facility's lifetime PD since origination.
- For facilities originated above 1% in PD: An increase in the facility's 12 month PD of 2 percentage points or a doubling of the facility's lifetime PD since origination.

In addition, facilities that are more than 30 days past due are moved to stage 2. Finally, customers subject to forbearance measures are placed in stage 2, if the Bank, in the most likely outcome, expects no loss, or if the customers are subject to the two-year probation period for performing forborne exposures.

Stage 3 (credit-impaired facilities)

A facility is transferred from stage 2 to stage 3 when it becomes credit-impaired. A facility becomes credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. This includes observable data about

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the borrower, for financial or contractual reasons relating to the borrower's financial difficulty, having been granted a concession that would not otherwise have been considered;
(d) it is becoming probable that the borrower will enter into bankruptcy or other financial restructuring; and
(e) the purchase or origination of a financial asset at a high rate of discount that reflects the incurred credit loss.

Definition of default

To support a more harmonised approach regarding the application of the definition of default, the European Banking Authority (EBA) has issued the following products that guides the application of the definition of default: the Guidelines on the application of the definition of default, EBA/GL/2016/07 and the Regulatory Technical Standards (RTS) on the materiality threshold for credit obligations past due, EBA/RTS/2016/06.

The Bank has implemented the new requirements related to the definition of default in January 2022 in order to align the existing definition of default to the new requirements outlined in the Guidelines and the RTS.

The newly definition of default is used in the measurement of expected credit losses and the assessment to determine movements between stages. The definition of default is also used for internal credit risk management and capital adequacy purposes. According to the revised definition of default, exposures that are considered default are also considered Stage 3 exposures. This is applicable for exposures that are default due to either the 90 days past due default trigger or the unlikeliness to pay default triggers.

Calculation of expected credit losses
The expected credit loss is calculated for all individual facilities as a function of the probability of default (PD), the exposure at default (EaD) and the loss given default (LGD). In general, the Bank's IFRS 9 impairment models and parameters draw on the Group's internal models in order to ensure alignment of models across the Group. New models and calculations have been developed especially for IFRS 9 purposes, including models for lifetime PD, prepayment and forward-looking LGD. All expected credit loss impairment charges are allocated to individual exposures.

Expected remaining lifetime
For most facilities, the expected lifetime is limited to the remaining contractual maturity and is adjusted for expected prepayment. For exposures with weak credit quality, the likelihood of prepayment is not included. For exposures that include both a loan and an undrawn commitment and where a contractual ability to demand prepayment and cancellation of the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period, the expected lifetime is the period during which the Bank expects to be exposed to credit losses. This period is estimated on the basis of the normal credit risk management actions.

Incorporation of forward-looking information
The forward-looking elements of the calculation reflect the current unbiased expectations of the Bank's senior management. The process consists of the creation of macroeconomic scenarios (base case, upside and downside), including an assessment of the probability of each scenario, by the Group's independent macroeconomic research unit, the review and sign-off of the scenarios (through the organization) and a process for adjusting scenarios given new information during the quarter.

The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. Management's approval of scenarios can include adjustments to the scenarios, probability weighting and management overlays to cover the outlook for particular high-risk portfolios, which are not provided by the Group's macroeconomists. The approved scenarios are used to calculate the impairment levels. Technically, the forward-looking information is used directly in the PDs through an estimate of general changes to the PDs and the LGDs in the expected credit loss calculation.

The forward-looking information is based on a three year forecast period converging to steady state in year seven. The base case is based on the macroeconomic outlook as disclosed in the Group's Nordic Outlook reports.

Modification
When a loan is replaced by a new loan or the original loan contract is modified it is assessed whether this should be accounted for as derecognition of the loan and recognition of a new loan, or as a modification of the old loan. This depends on whether the changes to the contractual cash flows or other contractual terms are significant or not. If the change is significant, it is accounted for as derecognition of the old loan and recognition of the new loan. If the change is not significant, the modification is accounted for as a modification of the old loan. In general, if the modification results in a new loan contract and loan identification, the modification is considered significant and leads to derecognition of the old loan and recognition of a new loan. If this is not the case, the modification does not lead to derecognition of the original loan.

If the old financial asset is not derecognised, the original effective interest rate remains unchanged, and the net present value of the changed contractual cash flows represents the carrying amount of the financial asset after the modification. The difference between the net present value of the original contractual cash flows and the modified contractual cash flows are recognised in P/L as a modification gain or loss. If the modification loss relates to modifications on loans subject to forbearance measures the modification loss is presented in the income statement under Loan impairment charges.

In terms of stage allocation, it is important whether a modification leads to derecognition of the old loan and recognition of a new loan or not. If the replacing loan is considered to be a new loan, the loan will (unless the new loan is credit-impaired at initial recognition) be recognised in stage 1 at initial recognition, i.e. the initial credit risk is reset. If the replacing loan is considered an amendment to the old loan, the initial credit risk is not reset.

The Bank buys new loans from Danske Bank A/S, Finland Branch. However, there might be modifications to the loans that are in the Bank's balance sheet if the modifications do not result in derecognition of the old loan and recognition of the new loan.

7. Taxes

Calculated current and deferred tax on the profit for the year are recognised in the income statement. Current tax is calculated based on the valid tax rate.

EURm	1-12/2022	1-12/2021
Taxes on taxable income for the year	3.3	3.4
Taxes arising from previous years	0.0	0.0
Taxes for the financial year total	**3.3**	**3.4**
Effective tax rate	20.0%	20.0%

Reconciliation between income taxes in income statement and taxes calculated at domestic tax rate 20% (20%)		
Profit before taxes	16.3	17.1
Taxes calculated at domestic tax rate	3.3	3.4
Taxes arising from previous years	0.0	0.0
Taxes in Income statement	**3.3**	**3.4**

8. Classification of financial instruments and non-financial assets

The purchase and sale of financial assets and liabilities at fair value through profit or loss are recognised in the balance sheet on the settlement date, or the date on which the Bank agrees to buy or sell the asset or liability in question. Loans are recognised as financial assets on the settlement date mentioned in the loan purchase contract between Danske Mortgage Bank Plc and Danske Bank A/S, Finland Branch. Derivative instruments, quoted securities and foreign exchange spot transactions are recognized on and derecognized from the balance sheet on the settlement date.

Financial assets are derecognised when the contractual right to receive cash flows from the financial assets has expired or all risks and rewards of ownership have been transferred. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancels or expires.

Financial assets and liabilities are offset and the net amount reported in balance sheet only if there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis. Transaction costs are included in the initial carrying amount, unless the item is measured at fair value through the profit and loss. The Bank uses the option in IFRS 9 to continue to apply the hedge accounting provisions in IAS 39.

Classification and measurement of financial assets and financial liabilities under IFRS 9 – general
Under IFRS 9, financial assets are classified on the basis of the business model adopted for managing the assets and on their contractual cash flow characteristics (including embedded derivatives, if any) into one of the following measurement categories:

- Amortised cost (AMC)
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

Financial assets are measured at AMC if they are held within a business model for the purpose of collecting contractual cash flows (held to collect) and if cash flows are solely payments of principal and interest on the principal amount outstanding. In general, this is the case for the Bank's loan portfolio.

Danske Mortgage Bank Plc does not have financial assets that are measured at FVOCI.

All other financial assets are mandatorily measured at FVPL including financial assets within other business models such as financial assets managed at fair value or held for trading and financial assets with contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding.

Generally, financial liabilities are measured at amortised cost with bifurcation of embedded derivatives not closely related to the host contract. Derivatives are measured at fair value.

The SPPI test (solely payment of principal and interest on the principal amount outstanding)
The second step in the classification of the financial assets in portfolios being "held to collect" and "held to collect and sell" relates to the assessment of whether the contractual cash flows are consistent with the SPPI test. The principal amount reflects the fair value at initial recognition less any subsequent changes, e.g. due to repayment. The interest must represent only consideration for the time value of money, credit risk, other basic lending risks and a profit margin consistent with basic lending features. If the cash flows introduce more than de minimis exposure to risk or volatility that is not consistent with basic lending features, the financial asset is mandatorily recognised at FVPL.

In general, the Bank's portfolios of financial assets that are "held to collect" (loans) have contractual cash flows that are consistent with the SPPI test, i.e. they have basic lending features.

The table below shows the classification of the Bank's financial instruments.

	Amortised cost		Fair value through profit or loss			
EURm Assets	Held to collect financial assets	Liabilities	Managed at fair value	Hedge	Non-financial assets and liabilities	Total
Cash and balances with central banks	29.5					29.5
Loans and receivables to credit institutions	62.8					62.8
Trading portfolio assets						
Derivatives				21.3		21.3
Investment securities, bonds			91.5			91.5
Loans and receivables to customers	4,008.0			20.6		4,028.6
Other assets					3.6	3.6
Total 31.12.2022	**4,100.2**	-	**91.5**	**42.0**	**3.6**	**4,237.3**

EURm Liabilities						
Due to credit institutions and central banks		390.1				390.1
Trading porfolio liabilities				256.6		256.6
Debt securities in issue						
-> Bonds		2,965.3		262.8		3,228.2
Tax liabilities					0.6	0.6
Other liabilities					9.0	9.0
Total 31.12.2022	-	**3,355.4**	-	**519.4**	**9.6**	**3,884.4**

EURm Assets	Amortised cost Held to collect financial assets	Amortised cost Liabilities	Fair value through profit or loss Managed at fair value	Fair value through profit or loss Hedge	Non-financial assets and liabilities	Total
Cash and balances with central banks	165.1					165.1
Loans and receivables to credit institutions	4.4					4.4
Trading portfolio assets						
Derivatives				9.0		9.0
Investment securities, bonds			35.4			35.4
Loans and receivables to customers	4,112.4			4.6		4,117.0
Tax assets					0.4	0.4
Other assets					1.0	1.0
Total 31.12.2021	**4,281.8**	-	**35.4**	**13.7**	**1.4**	**4,332.3**

EURm Liabilities						
Due to credit institutions and central banks		1,732.5				1,732.5
Trading porfolio liabilities				13.8		13.8
Debt securities in issue						
-> Bonds		2,245.1		0.2		2,245.3
Other liabilities					0.9	0.9
Total 31.12.2021	-	**3,977.6**	-	**14.0**	**0.9**	**3,992.5**

9. Balance sheet items broken down by expected due date

The balance sheet items are presented in order of liquidity instead of distinguishing between current and non-current items. The table below shows the balance sheet items expected to mature within one year (current) and after more than one year (non-current).

2022 EURm	Total	< 1 year	> 1 year
Assets			
Cash and balances with central banks	29.5	29.5	-
Loans and receivables to credit institutions	62.8	62.8	-
Trading portfolio assets	21.3	19.9	1.5
Other investment securities	91.5	19.1	72.4
Loans and receivables to customers	4,028.6	276.1	3,752.5
Other assets	3.6	3.6	-
Total	**4,237.3**	**410.9**	**3,826.4**
Liabilities			
Due to credit institutions and central banks	390.1	0.1	390.0
Derivatives and other financial liabilities held for trading	256.6	79.7	176.9
Debt securities in issue	3,228.2	758.9	2,469.3
Tax liabilities	0.6	0.6	-
Other liabilities	9.0	9.0	-
Total	**3,884.4**	**848.1**	**3,036.3**

2021 EURm	Total	< 1 year	> 1 year
Assets			
Cash and balances with central banks	165.1	165.1	-
Loans and receivables to credit institutions	4.4	4.4	-
Trading portfolio assets	9.0	5.9	3.1
Other investment securities	35.4	-	35.4
Loans and receivables to customers	4,117.0	333.7	3,783.3
Tax assets	0.4	0.4	-
Other assets	1.0	1.0	-
Total	**4,332.3**	**510.5**	**3,821.8**
Liabilities			
Due to credit institutions and central banks	1,732.5	632.5	1,100.0
Derivatives and other financial liabilities held for trading	13.8	-4.0	17.8
Debt securities in issue	2,245.3	3.0	2,242.3
Other liabilities	0.9	0.9	-
Total	**3,992.5**	**632.3**	**3,360.1**

Maturity analysis of past due financial assets, net EURm	2022	2021
Assets past due 30-90 days	9.4	4.9
Unlikely to pay	1.0	6.4
Nonperforming assets past due at least 90 days but no more than 180 days	0.0	0.4
Nonperforming assets past due at least 180 days - 1 year	-	-
Nonperforming assets more than 1 year	-	-
Receivables with forbearance measures, gross carrying amount	26.4	159.7

Maturity analysis for derivatives is included in note 12.

10. Fair value information

Fair value

Financial instruments are carried on the balance sheet at fair value or amortised cost. The fair value of financial assets and liabilities is measured on the basis of quoted market prices of financial instruments traded in active markets. If an active market exists, fair value is based on the most recently observed market price on the balance sheet date.

If a financial instrument is quoted in a market that is not active, the valuation is based on the most recent transaction price. It adjusts the price for subsequent changes in market conditions, for instance by including transactions in similar financial instruments that are motivated by normal business considerations.

If an active market does not exist, the fair value of standard and simple financial instruments, such as interest rate and currency swaps and unlisted bonds, is measured according to generally accepted measurement methods. Market-based parameters are used to measure fair value. The fair value of more complex financial instruments, such as swaptions, interest rate caps and floors, and other OTC products, is measured on the basis of internal models, many of which are based on valuation techniques generally accepted within the industry.

The results of calculations made on the basis of valuation techniques are often estimates, because exact values cannot be determined from market observations. Consequently, additional parameters, such as liquidity and counterparty risk, are sometimes used to measure fair value.

If, at the time of acquisition, a difference arises between the value of a financial instrument calculated on the basis of non-observable inputs and actual cost (day-one profit and loss) and the difference is not the result of transaction costs, the Bank calibrates the model parameters to the actual cost.

Financial instruments measured at fair value

Generally, the Bank applies valuation techniques to OTC derivatives and unlisted trading portfolio assets and liabilities. The most frequently used valuation and estimation techniques include the pricing of transactions with future settlement and swap models that apply present value calculations, credit pricing models and options models, such as Black & Scholes models. In most cases, valuation is based substantially on observable input.

Financial instruments valued on the basis of quoted prices in an active market are recognised in the Quoted prices category (level 1). Financial instruments valued substantially on the basis of other observable input are recognised in the Observable input category (level 2). Other financial instruments are recognised in the Non-observable input category (level 3).

During the reporting period ending 31 December 2022, there were no transfers between Level 1 (Quoted prices) and Level 2 (Observable input) fair value measurements, and no transfers into and out of Level 3 (Non-observable input) fair value measurements.

2022 EURm	Quoted prices	Observable input	Non-observable input	Total
Financial assets				
Investment securities, bonds	63.4	28.1	-	91.5
Derivative financial instruments	0.0	21.3	0.0	21.3
Total	**63.4**	**49.4**	-	**112.8**
Financial assets				
Derivative financial instruments	0.0	256.6	0.0	256.6
Total	-	**256.6**	-	**256.6**
2021				
Financial assets				
Investment securities, bonds	30.3	5.1	-	35.4
Derivative financial instruments	-	9.0	-	9.0
Total	**30.3**	**14.1**	-	**44.4**
Financial liabilities				
Derivative financial instruments	-	13.8	-	13.8
Total	-	**13.8**	-	**13.8**

Financial instruments at amortised cost

For the vast majority of amounts due to the Bank, such as loans and receivables, active market does not exist. Consequently, the Bank bases its fair value estimates on data showing changes in market conditions after the initial recognition of the individual instrument and affecting the price that would have been fixed if the terms had been agreed at the balance sheet date. Other parties may make other estimates. The maturity of the items included in cash and balances at central bank is so short, that carrying amount represents also fair value.

The fair value of Debt securities in issue amounted to EUR 3,500.7 million (2021: EUR 2,259.7) compared to the carrying amount of EUR 3,228.2 million (2021: EUR 2,245.3). For the majority of the debt securities issued the fair value reflects the quoted price, i.e. a level 1 measurement. For other financial instruments, no significant difference between the estimated fair value and amortised cost exists.

11. Cash and balances at central banks and loans and receivebles from credit institutions

Amounts due from credit institutions and central banks comprise amounts due from other credit institutions and term deposits with central banks.

Amounts due from credit institutions and central banks are measured at amortised cost as described under Loans and receivables at amortised cost.

EURm	2022	2021
Balances with central banks	29.5	165.1
Loans and receivables from credit institutions		
Other loans	62.8	4.4
Allowances	0.0	0.0
Total	**92.3**	**169.5**

Balances with central banks are on stage 1 in the stage division according to IFRS 9 -standard.

12. Derivative financial instruments

The Bank uses derivative instruments for hedging purposes. The derivatives used are interest rate derivatives. Derivatives held for hedging purposes are used for hedging loans and issued bonds. Interest rate swaps are designated as fair value hedges. Hedges protect the Bank against fair value changes caused by the changes in market interest rates.

The Bank measures all loans and issued bonds at amortised cost. Majority of the loans in the Bank are floating rate loans. When a floating rate loan has a fixing to a fixed rate, the interest rate risk against market rates arises on the current period of the floating rate loan. The Bank uses derivatives to hedge the interest rate risk of the fixed interest rate period of the fixed rate loans, floating rate loans and fixed rate issued bonds.

If the hedge criteria cease to be met, the accumulated value adjustments of the hedged items are amortised over the term to maturity.

	2022			2021		
EURm	Fair value		Notional	Fair value		Notional
Derivatives held for hedging	Assets	Liabilities	amount	Assets	Liabilities	amount
Fair value hedges	**21.3**	**256.6**	**8,127.7**	**9.0**	**13.8**	**8,247.4**
Interest rate						
OTC derivatives	21.3	256.6	8,127.7	9.0	13.8	8,247.4
Total derivatives held for hedging	**21.3**	**256.6**	**8,127.7**	**9.0**	**13.8**	**8,247.4**
with Group companies:	**21.3**	**256.6**	**8,127.7**	**9.0**	**13.8**	**8,247.4**

Nominal value of the underlying instrument Remaining maturity	Less than 1 year	1-5 years	Over 5 years	Less than 1 year	1-5 years	Over 5 years
	0.0	8,111.0	16.7	-	8,103.9	143.5
with Group companies:	0.0	8,111.0	16.7	-	8,103.9	143.5

Explanation of hedge accounting

The interest rate risk arising on the fixed-rate periods of assets and liabilities is hedged by derivatives. Hedges are executed when it is required to match the risk arising from assets and liabilities to minimize the total interest rate risk.

For hedged assets and liabilities to which a fixed rate of interest applies for a specified period of time starting at the commencement date of the agreement, future interest payments are divided into basic interest and a customer margin and into periods of time. By entering into swaps or forwards with matching payment profiles in the same currencies and for the same periods, the Bank hedges the risk at a portfolio level from the commencement date of the hedged items. The fair values of the hedged interest rate risk and the hedging derivatives are measured at frequent intervals to ensure that changes in the fair value of hedged interest rate risk lie within a band of 80-125% of the changes in the fair value of the hedging derivatives. Portfolios of hedging derivatives are adjusted if necessary.

Hedge ineffectiveness relates to the fact that the fair value changes to the hedged items are measured based on the interest rate curve relevant for each hedged item while the fair value of the fixed legs of the hedging derivatives are measured based on a swap curve. Further, the adjustment of the portfolios of hedging derivatives to changes in hedged positions is not done instantly, and some hedge ineffectiveness can therefore exist.

The Bank uses the option in IFRS 9 to continue to use the fair value hedge accounting provisions in IAS 39. With effective hedging, the hedged interest rate risk on hedged assets and liabilities is measured at fair value and recognised as a value adjustment of the hedged items. Value adjustments are carried in the income statement under Net result from items at fair value. Any ineffective portion of a hedge that lies within the range for effective hedging is therefore also included under Net result from items at fair value.

The ongoing Interest Rate Benchmark Reform will replace existing benchmark inter-bank offered rates (IBORs) with alternative risk-free rates. There is currently uncertainty as to the timing and the methods of transition for the different IBORs and whether some existing benchmarks will continue to be supported. The calculation methodology behind EURIBOR has been amended and is now recognised as being fully compliant with the EU Benchmark Regulation.

At the end of 2022, the carrying amounts of effectively hedged financial assets and liabilities were EUR 4,043.3 million (4,128.3 million) and EUR 3,237.2 million (2,250.2 million), respectively. The table below shows the value adjustments of these assets and liabilities and the hedging derivatives. The value adjustments have been recognised in the income statement as Net result from items at fair value.

At the end of 2022, the Bank has no derivatives that are yet to transition to alternate benchmark rates.

EURm Effect of interest rate hedging on profit	2022	2021
Effect of fixed-rate assets hedging on profit		
Hedged loans	-25.3	-7.7
Hedging derivatives	25.2	7.4
Total	**-0.1**	**-0.3**
Effect of fixed-rate liability hedging on profit		
Hedged issues	263.1	57.7
Hedging derivatives	-261,6	-57.7
Total	**1,5**	**0.0**

The tables below shows the hedging derivatives and the hedged fixed interest rate financial instruments.

		Carrying amount of hedging derivatives		
	Nominal amount of hedging derivatives	Assets	Liabilities	Changes in fair value used for calculating hedge ineffectiveness
Interest rate risk (interest rate swaps). 2022	7,563.9	21.3	256.6	-236.4
Interest rate risk (interest rate swaps). 2021	6,373.7	9.0	13.8	-50.4

	Carrying amount of hedged items		Accumulated amount of fair value hedge adjustments on the hedged item included in		Change in value used for calculating hedge ineffectiveness
Fixed interest rate risk on 2022	Assets	Liabilities	Assets	Liabilities	
Loans	4,043.3		-20.6		-25.3
Issued bonds		3,237.2		-262.8	263.1
Total. 2022	**4,043.3**	**3,237.2**	**-20.6**	**-262.8**	**237.8**
2021					
Loans	4,128.3		4.6		-7.7
Issued bonds		2,250.2		0.2	57.7
Total. 2021	**4,128.3**	**2,250.2**	**4.6**	**0.2**	**50.1**
Hedge ineffectiveness recognised in the income statement, 2022		1.4			
Hedge ineffectiveness recognised in the income statement, 2021		-0.3			

Offsetting

Assets and liabilities are netted when the Bank and the counterparty have a legally enforceable right to set off recognised amounts and intend either to settle the balance on a net basis or to realise the asset and settle the liability simultaneously.

EURm Derivatives with positive fair value	12/2022	12/2021
Derivatives with positive fair value before netting	21.3	9.0
Carrying amount	21.3	9.0
Netting (under capital adequacy rules)	256.6	13.8
Net current exposure	-235.3	-4.7
Collateral	-	-12.5
Net amount	**-235.3**	**7.7**

13. Tax assets and tax liabilities

Current tax assets and liabilities are recognised on the balance sheet as the estimated tax payable on the profit for the year adjusted for prepaid tax and possible tax payments for previous years. Tax assets and liabilities are netted if permitted by law and provided that the items are expected to be subject to net or simultaneous settlement.

Deferred tax on all temporary differences between the tax base of assets and liabilities and their carrying amounts is accounted for in accordance with the balance sheet liability method. Deferred tax is not recognised on temporary differences of items if the temporary differences arose at the time of acquisition without effect on net profit or taxable income.

Deferred tax is recognised under Deferred tax assets and Deferred tax liabilities.

Deferred tax is measured on the basis of the tax regulations and rates that, according to the rules in force at the balance sheet date, are applicable at the time the deferred tax is expected to crystallise as current tax. Adopted changes in deferred tax as a result of changes in tax rates applied are recognised in the income statement.

Tax assets arising from unused tax losses are recognised to the extent that such unused tax losses and unused tax credits can be used.

EURm	2022	2021
Income tax assets	-	0.4
Total tax assets	**-**	**0.4**
Income tax liabilities	0.6	-
Total tax liabilities	**0.6**	**-**

14. Other assets

Other assets includes interest and commission due and other receivables.

EURm	2022	2021
Other assets		
Accrued interest	3.6	1.0
Other	0.0	0.0
Total	**3.6**	**1.0**

15. Amounts owed to credit institutions

Amounts due to credit institutions are measured at amortised cost.

EURm	2022	2021
Amounts owed to credit institutions		
Other	390.1	1,732.5
Total	**390.1**	**1,732.5**

16. Debt securities in issue and financial liabilities at fair value through p/l

Other issued bonds comprise bonds issued by the Bank. Other issued bonds are measured at amortised cost plus the fair value of the hedged interest rate risk.

EURm	2022	2021
Debt securities in issue		
Finnish covered bonds	3,228.2	2,245.3

Nominal value EURm	1 January 2022	Issued	Redeemed	31 December 2022
Covered bonds	2,250.0	1,250.0	-	3,500.0

Nimellisarvo EURm	1 January 2021	Issued	Redeemed	31 December 2021
Covered bonds	3,750.0	500.0	2,000.0	2,250.0

17. Other liabilities

Other liabilities includes accrued interest, fees and commissions that do not form part of the amortised cost of a financial instrument. Other liabilities also includes pension obligations.

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

EURm	2022	2021
Provisions	0.0	0.0
Other liabilities		
Accruals and deferred income		
Deferred interest	8.5	0.3
Other accruals	0.5	0.6
Other	0.0	0.1
Total other liabilities	**9.0**	**0.9**

If a lawsuit is likely to result in a payment obligation, a liability is recognised if it can be measured reliably. The liability is recognised at the present value of expected payments.

18. Contingent liabilities and commitments

Off-balance sheet items

Off-balance sheet items consist mainly of commitments to extend credit. Commitments to extend credit are irrevocable commitments and comprise undrawn loans. The commitments are stated to the amount that can be required to be paid on the basis of the commitment. Provisions for irrevocable loan commitments are recognised under Other liabilities if it is probable that drawings will be made under a loan commitment. Off-balance sheet items are mainly at the stage 1.

Danske Mortgage Bank did not have any material off-balance sheet items at 31 December 2021 and 31 December 2022.

Asset encumbrance EURm	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets December 31, 2022	**3,974.9**		**176.2**	**37.7**
Equity instruments				
Debt securities			37.7	37.7
Other assets	3,974.9		138.5	
Assets December 31, 2021	**5,027.7**		**205.3**	**35.6**
Equity instruments				
Debt securities			35.6	35.6
Other assets	5,027.7		169.7	

Collateral received

Danske Mortgage Bank didn't have any received collaterals at 31 December 2022.

EURm Encumbered assets/collateral received and associated liabilities	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities 31.12.2022	**2,742.5**	**3,974.9**
Carrying amount of selected financial liabilities 31.12.2021	**2,796.8**	**5,027.7**

Loans and securities serving as collateral for covered bond issuance is the main category of encumbered assets. Coverd bond issuance is a strategic long-term funding measure that entails ring-fencing assets according to statutory regulation. Encumbered assets and associated liabilities are disclosed based on median values of quarterly data.

19. Related party transactions with group companies and other related parties

EURm	Parties with control interest 2022	2021
Loans and receivables	62.8	4.4
Securities	21.3	9.0
Deposits	390.1	1,732.5
Derivatives	256.6	13.8
Interest income	7.5	22.1
Interest expenses	0.0	-6.1
Purchases from group companies	11.5	15.2
Sales to group companies	0.3	0.2

There are not expected credit losses booked for receivables from related parties. Interest expenses from related parties were positive interest in 2021.

Related party comprises the parent company, key management personnel and other related-party companies. Parties with significant influence include the parent company and its branches. Key management personnel comprises Board of Directors and executive management, including close family members and companies, in which key management personnel or their close family members have considerable influence.

Information regarding management's related party transactions is presented in Note 4.

Danske Mortgage Bank Plc's Board of Directors' proposal to the Annual General Meeting for the distribution of profit and signing of Annual Report 2022

The company's distributable assets in the financial statements total EUR 282,890,177.20 of which profit for the financial year totals EUR 13,060,214.34.

The Board of Directors proposes to the Annual General Meeting of Shareholders that:
1. a dividend of EUR 13,060,214.34 be paid and
2. EUR 269,829,962.86 will be left in shareholders' equity.

Helsinki, 3rd February 2023

Stojko Gjurovski
(Chairman)

Robert Wagner

Tomi Dahlberg

Terese Dissing

Maisa Hyrkkänen

Pekka Toivonen
(CEO)

The auditor’s note

A report on the audit performed has been issued today.

Helsinki, 3rd February 2023

Deloitte Ltd
Audit Firm

Aleksi Martamo
Authorized Public Accountant

Accounting material 2022

The Bank uses the accounting system of Danske Bank A/S which is administered by the Group headquarters in Denmark. In the year end this accounting material is filed electronically and stored in Finland as two copies. Financial statement and Board of Directors' report as bound versions are stored in Danske Bank A/S, Finland Branch's Accounting department.

Financial statement specifications are mainly included in the financial statement material gathered and stored by Accounting department.

General ledger accounting reports are stored electronically:

- Daily journals
- General ledger
- Income statements and balance sheets
- Charts of accounts
- Vouchers for notes to the financial statements