



## Interim Report 3<sup>rd</sup> quarter 2018

Nordea Eiendoms kreditt AS



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*Nordea Eiendoms kreditt AS is part of the Nordea Group. Nordea build strong and close relationships through our engagement with customers and society. Whenever people strive to reach their goals and realize their dreams, we are there to provide relevant financial solutions. We are the largest bank in the Nordic region and among the ten largest financial groups in Europe in terms of total market capitalization with around 11 million customers. The Nordea share is listed on the Nasdaq Stockholm, Nasdaq Helsinki and Nasdaq Copenhagen exchanges.*

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# Key financial figures

## Summary of income statement (NOKm)

	Jan-Sep 2018	Jan-Sep 2017	Year 2017
Net interest income	1 020	1 177	1 576
Net result from items at fair value	-9	-17	-2
Other operating income	27	42	42
<b>Total operating income</b>	<b>1 038</b>	<b>1 203</b>	<b>1 616</b>
Staff costs	13	12	17
Other expenses	271	301	396
<b>Total operating expenses</b>	<b>284</b>	<b>314</b>	<b>414</b>
Loan losses (negative figures are reversals)	6	23	27
<b>Operating profit</b>	<b>747</b>	<b>867</b>	<b>1 175</b>
Income tax expense	187	217	294
<b>Net profit for the period</b>	<b>561</b>	<b>650</b>	<b>881</b>

## Summary of balance sheet (NOKm)

	30 Sep 2018	30 Sep 2017	31 Dec 2017
Loans to the public, gross	114 467	123 405	135 511
Allowance for loan losses	-59	-87	-89
Other assets	7 691	6 348	7 111
Debt securities in issue	85 922	75 424	77 731
Other liabilities	22 887	41 311	51 635
Equity	13 291	12 931	13 167
<b>Total assets</b>	<b>122 100</b>	<b>129 666</b>	<b>142 533</b>
Average total assets	130 115	131 421	131 021

## Ratios and key figures

	30 Sep 2018	30 Sep 2017	31 Dec 2017
Basic/diluted Earnings per share (EPS), annualised basis, NOK	48.7	56.5	57.5
Equity per share, NOK <sup>1</sup>	866.6	843.2	858.5
Shares outstanding <sup>1</sup> , million	15.3	15.3	15.3
Post-tax return on average equity	5.7 %	6.9 %	6.9 %
Cost/income ratio	27.4 %	26.1 %	25.6 %
Loan loss ratio, annualised, basis points	0.7	2.5	2.2
Common Equity Tier 1 capital ratio, excl. Basel I floor <sup>1,2</sup>	91.9%	86.4 %	83.5 %
Tier 1 capital ratio, excl. Basel I floor <sup>1,2</sup>	91.9%	86.4 %	83.5 %
Total capital ratio, excl. Basel I floor <sup>1,2</sup>	100.7%	95.3 %	91.6 %
Common Equity Tier 1 capital ratio, incl. Basel I floor <sup>1,2</sup>	25.0%	22.3 %	21.2 %
Tier 1 capital ratio, incl. Basel I floor <sup>1,2</sup>	25.0%	22.3 %	21.2 %
Total capital ratio, incl. Basel I floor <sup>1,2</sup>	27.4%	24.6 %	23.2 %
Own funds, NOKm <sup>1,2</sup>	13.914	13 487	13 923
Risk Exposure Amount incl. Basel I floor, NOKm <sup>1</sup>	50.793	54 758	59 927
Number of employees (Full-time equivalents) <sup>1</sup>	15.5	15.0	15.5

<sup>1</sup> At the end of the period

<sup>2</sup> Excluding the year to date result for interim figures

# Nordea Eiendomskreditt

## Introduction

*(Previous year comparable figures for the company are shown in brackets)*

Nordea Eiendomskreditt's business objective is to acquire long term Norwegian residential mortgage loans and loans to holiday houses from the parent bank, and to fund its lending activities primarily via issuance of covered bonds (bonds with a priority right of recourse to the company's collateral for its lending). Following the re-domiciliation in the Nordea Group, Nordea Eiendomskreditt AS is from 1 October 2018 a wholly owned subsidiary of Nordea Bank Abp, the parent company of the Nordea group (up until 30 September 2018 Nordea Eiendomskreditt was a wholly owned subsidiary of Nordea Bank AB (publ)).

## Income statement

Profit from ordinary activities after loan losses but before tax for the first nine months of 2018 was NOK 747 million (NOK 867 million). The profit reported is equivalent to a post-tax return on average equity of 5.7% (6.9%) on an annualised basis.

Net interest income for the nine months ending 30 September 2018 showed a decrease of 13% compared to the same period last year and amounted to NOK 1,020 million (NOK 1,177 million). Lending to the public has been of the same size in 2018 compared to last year, but the margins have been tighter, and this is the main reason for the decrease in net interest income.

Total operating expenses for the first nine months amounted to NOK 284 million (NOK 314 million). NOK 13 million of operating expenses is staff related. Other operating expenses are mainly related to services bought from the parent bank, such as management of the loan portfolio and customer contact, as well as funding and risk control.

Loan losses and provisions recognised in the accounts for the first nine months amounted to NOK 6.1 million (NOK 22.8 million). Loan loss provision has increased from NOK 56.3 million at the beginning of the year, to NOK 58.9 million at 30 September 2018, with the increase split on all three stages. Realised loan losses were NOK 3.2 million. See note 4 and note 5 for further information about loan losses and impairment for loans in the three stages according to IFRS 9, that were implemented from 1 January 2018.

Total assets amounted to NOK 122.1 billion as of 30 September 2018 (NOK 129.73 billion).

## Capital position and risk-weighted exposure

Nordea Eiendomskreditt's Common Equity Tier 1 capital ratio excluding Basel I floor was 91.9%, excluding profit at the end of the third quarter, a decrease of 3.6 percentage points from the end of the previous quarter. This was primarily due to an increase in REA in the retail portfolio. The Total Capital ratio excluding Basel I floor

decreased 4 percentage points to 100.7%, excluding profit.

Risk Exposure Amount (REA) was NOK 13 823 million excluding Basel I rules, an increase of NOK 516 million, compared to the previous quarter. The main driver for the increase in REA is increasing exposures in lower rating grades.

The Common Equity Tier 1 ratio including Basel I rules was 25%, excluding profit at the end of the third quarter, and the Own Funds was NOK 13 914 million. The Tier 1 capital and the Common Equity Tier 1 capital were NOK 12 702 million (no additional Tier 1 capital).

## Funding

Nordea Eiendomskreditt's main funding source is issuance of covered bonds. Covered bonds are debt instruments, regulated by the Financial Undertakings Act (Act. No. 17 of 10 April 2015, Norwegian: Finansforetaksloven), that gives investors a preferential claim into a pool of high quality assets in case of the issuer's insolvency. Norwegian covered bonds can only be issued by mortgage credit institutions that holds a licence from the Norwegian FSA and whose articles of association comply with certain mandatory requirements. The cover pool in Nordea Eiendomskreditt consists entirely of Norwegian residential mortgage loans and loans to holiday houses in Norway.

During the first nine months of 2018 Nordea Eiendomskreditt issued covered bonds amounting to NOK 16.7 billion in the Norwegian domestic market under its NOK 100bn domestic covered bond programme and GBP 0.3 billion under its EUR 10bn EMTN covered bond programme. As of 30 September 2018, Nordea Eiendomskreditt had outstanding covered bonds totalling NOK 74.7 billion in the Norwegian market, GBP 0.9 billion in the British market and EUR 0.1 billion in the European market. Nordea Eiendomskreditt also had subordinated debt outstanding to the amount of NOK 1.2 billion.

The EUR 10bn EMTN covered bond programme established in June 2013 will primarily target covered bond issuance in USD RegS, CHF and GBP, complementing issuance under the domestic programme.

In addition to the long-term funding, Nordea Eiendomskreditt also raised short term unsecured funding from the parent bank. At the end of the third quarter of 2018 such borrowings amounted to NOK 19.1 billion.

## Rating

The company has since April 2010 had the rating Aaa from Moody's Investor Service for the covered bonds issued by the company.

## Lending

The gross book value of loans to the public amounted to NOK 114.5 billion as of 30 September 2018 (NOK 123.4 billion) and consists entirely of residential mortgage loans and loans to holiday houses, that are bought from and managed by Nordea Bank Abp, filial i Norge. NOK 105.8 billion of the loan portfolio is included in the collateral pool for the purposes of the calculation of the asset coverage requirement under the covered bond legislation. This represents surplus collateral of 21.4% in relation to covered bonds issued.

## Interest rate and currency hedging

The company uses interest rate and currency swaps to hedge interest rate and currency risk. At the close of the third quarter of 2018, the company was party to interest rate swaps with a nominal value of NOK 73.8 billion. In accordance with IFRS, fair value changes of interest rate swaps and the corresponding hedged items (fixed-rate lending and fixed-rate issued bonds) due to changes in market rates, are recognised in the profit and loss accounts.

In order to eliminate the foreign exchange risk, the company has entered into currency swaps of the same amounts as covered bonds issued in foreign currencies. Counterparties to all derivative contracts are within the Nordea group.

## Impaired loans

As of 30 September 2018 impaired loans amounted to NOK 559.7 million which corresponds to 0.49% of the total loan portfolio. Allowances of NOK 40.0 million have been made, and net impaired loans were NOK 519.7 million at 30 September 2018 compared to NOK 659.5 million at 30 September 2017.

## Nordea Eiendoms kreditt AS

Oslo, 26 October 2018



John Arne Sætre  
Chairman



Nicklas Ilebrand  
Vice Chairman



Ola Littorin  
Board member



Marte Kopperstad  
Board member



Alex Madsen  
Board member



Anne Sofie Knoph  
Employee representative



Børre S. Gundersen  
Chief Executive Officer

## Income statement

NOKt	Note	Jan-Sep 2018	Jan-Sep 2017	Q3 2018	Q3 2017	Year 2017
<b>Operating income</b>						
Interest income on loans and deposits with financial institutions		1 430	3 300	409	371	3 685
Interest and related income on loans to customers		2 210 219	2 332 125	695 692	799 317	3 087 253
Interest and related income on debt securities		41 363	36 899	15 232	11 503	47 716
Other interest and related income		-7 206	194	-1 920	71	383
<b>Total interest and related income</b>		<b>2 245 806</b>	<b>2 372 519</b>	<b>709 413</b>	<b>811 262</b>	<b>3 139 037</b>
Interest expense on liabilities to financial institutions		285 853	242 719	65 645	106 691	347 030
Interest and related expense on securities issued		1 115 245	1 094 043	393 005	337 219	1 418 004
Interest expense on subordinated loan capital		26 490	26 343	8 845	8 459	34 602
Other interest and related expense <sup>1</sup>		-201 595	-167 881	-58 078	-56 750	-236 558
<b>Total interest and related expense</b>		<b>1 225 993</b>	<b>1 195 224</b>	<b>409 418</b>	<b>395 619</b>	<b>1 563 078</b>
<b>Net interest income</b>		<b>1 019 814</b>	<b>1 177 294</b>	<b>299 995</b>	<b>415 643</b>	<b>1 575 959</b>
Fee and commission income		43 119	45 207	13 504	15 168	60 162
Fee and commission expense		16 163	2 765	9 007	1 291	18 225
<b>Net fee and commission income</b>		<b>26 956</b>	<b>42 442</b>	<b>4 497</b>	<b>13 877</b>	<b>41 937</b>
<b>Net result from items at fair value</b>	<b>3</b>	<b>-8 932</b>	<b>-16 626</b>	<b>942</b>	<b>6 507</b>	<b>-1 935</b>
<b>Total operating income</b>		<b>1 037 838</b>	<b>1 203 111</b>	<b>305 432</b>	<b>436 027</b>	<b>1 615 961</b>
Staff costs		13 404	12 414	4 755	4 410	17 376
Other operating expenses		270 810	301 369	87 100	103 130	396 214
<b>Total operating expenses</b>		<b>284 213</b>	<b>313 783</b>	<b>91 855</b>	<b>107 540</b>	<b>413 590</b>
<b>Profit before loan losses</b>		<b>753 624</b>	<b>889 328</b>	<b>213 577</b>	<b>328 487</b>	<b>1 202 371</b>
Loan losses	4	6 128	22 823	1 962	15 190	27 341
<b>Operating profit</b>		<b>747 497</b>	<b>866 505</b>	<b>211 614</b>	<b>313 296</b>	<b>1 175 030</b>
Income tax expense		186 874	216 626	52 904	75 928	293 760
<b>Net profit for the period</b>		<b>560 623</b>	<b>649 879</b>	<b>158 712</b>	<b>237 368</b>	<b>881 270</b>
<b>Attributable to:</b>						
Shareholder of Nordea Eiendoms kreditt AS		560 623	649 879	158 712	237 368	881 270
<b>Total</b>		<b>560 623</b>	<b>649 879</b>	<b>158 712</b>	<b>237 368</b>	<b>881 270</b>
Basic/diluted earnings per share, NOK		36.6	42.4	10.3	15.5	57.5

<sup>1</sup> Includes net interest income from derivatives, measured at fair value and related to Nordea Eiendoms kreditt's funding. This can have both a positive and negative impact on other interest expense, for further information see Note 1 Accounting policies in the Annual Report 2017.

## Statement of comprehensive income

NOKt	Jan-Sep 2018	Jan-Sep 2017	Q3 2018	Q3 2017	Year 2017
<b>Net profit for the period</b>	<b>560 623</b>	<b>649 879</b>	<b>158 712</b>	<b>237 368</b>	<b>881 270</b>
<b>Items that may be reclassified subsequently to the income statement</b>					
Cash flow hedges:					
Valuation gains/losses during the period	-31 270	4 773	4 698	9 774	8 169
Tax on valuation gains/losses during the period	7 835	-1 193	-1 179	-2 443	-2 042
<b>Items that may not be reclassified subsequently to the income statement</b>					
Defined benefit plans:					
Remeasurement of defined benefit plans	2 711	-49	393	238	2 351
Tax on remeasurement of defined benefit plans	-678	12	-98	-60	-588
<b>Other comprehensive income, net of tax</b>	<b>-21 401</b>	<b>3 543</b>	<b>3 813</b>	<b>7 509</b>	<b>7 890</b>
<b>Total comprehensive income</b>	<b>539 221</b>	<b>653 422</b>	<b>162 524</b>	<b>244 877</b>	<b>889 160</b>
<b>Attributable to:</b>					
Shareholders of Nordea Eiendoms kreditt AS	539 221	653 422	162 524	244 877	889 160
<b>Total</b>	<b>539 221</b>	<b>653 422</b>	<b>162 524</b>	<b>244 877</b>	<b>889 160</b>

## Balance sheet

NOKt	Note	30 Sep 2018	30 Sep 2017	31 Dec 2017
<b>Assets</b>				
Loans to credit institutions		221 159	248 841	138 509
Loans to the public	5, 8	114 408 685	123 317 861	135 421 520
Interest-bearing securities	8, 9	6 603 120	4 792 373	5 603 387
Derivatives	7, 8, 9	719 515	1 130 291	1 194 840
Fair value changes of the hedged items in portfolio hedge of interest rate risk		12 852	28 408	26 142
Retirement benefit asset		2 161	0	0
Other assets		149	2 298	4
Accrued income and prepaid expenses	8	131 996	145 716	148 564
<b>Total assets</b>	<b>6</b>	<b>122 099 637</b>	<b>129 665 788</b>	<b>142 532 966</b>
<b>Liabilities</b>				
Deposits by credit institutions	8	19 089 379	37 155 464	47 832 472
Debt securities in issue	8	85 921 883	75 424 047	77 730 925
Derivatives	7, 8, 9	1 806 731	1 702 395	1 349 553
Fair value changes of the hedged items in portfolio hedge of interest rate risk		452 370	903 404	835 069
Current tax liabilities		186 879	216 768	279 728
Other liabilities		4 220	26 443	5 872
Accrued expenses and prepaid income	8	35 035	7 466	21 168
Deferred tax liabilities		101 065	84 482	99 968
Provisions		190	0	0
Retirement benefit obligations		10 858	13 979	11 036
Subordinated loan capital		1 200 301	1 200 179	1 200 279
<b>Total liabilities</b>	<b>6</b>	<b>108 808 911</b>	<b>116 734 628</b>	<b>129 366 069</b>
<b>Equity</b>				
Share capital		1 702 326	1 702 326	1 702 326
Share premium		3 731 301	3 731 301	3 731 301
Other reserves		-76 281	-59 227	-54 880
Retained earnings		7 372 758	6 906 880	7 788 150
Net profit for the period		560 623	649 879	
<b>Total equity</b>		<b>13 290 727</b>	<b>12 931 160</b>	<b>13 166 897</b>
<b>Total liabilities and equity</b>		<b>122 099 637</b>	<b>129 665 788</b>	<b>142 532 966</b>
Assets pledged as security for own liabilities		105 819 092	116 438 127	127 465 821
Contingent liabilities		535	704	535
Commitments		12 798 353	14 266 539	14 221 101

## Statement of changes in equity

NOKt	Share capital <sup>1</sup>	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
<b>Opening balance at 1 Jan 2018</b>	<b>1 702 326</b>	<b>3 731 301</b>	<b>-52 013</b>	<b>-2 867</b>	<b>7 788 150</b>	<b>13 166 897</b>
Restatement due to changed accounting policy, net of tax <sup>2</sup>					25 108	25 108
<b>Restated opening balance at 1 Jan 2018</b>	<b>1 702 326</b>	<b>3 731 301</b>	<b>-52 013</b>	<b>-2 867</b>	<b>7 813 258</b>	<b>13 192 005</b>
Total comprehensive income			-23 435	2 033	560 623	539 221
Group contribution paid					-440 500	-440 500
<b>Closing balance at 30 Sep 2018</b>	<b>1 702 326</b>	<b>3 731 301</b>	<b>-75 448</b>	<b>-834</b>	<b>7 933 381</b>	<b>13 290 727</b>

NOKt	Share capital <sup>1</sup>	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
<b>Opening balance at 1 Jan 2017</b>	<b>1 702 326</b>	<b>3 731 301</b>	<b>-58 140</b>	<b>-4 629</b>	<b>6 906 880</b>	<b>12 277 737</b>
Total comprehensive income			6 127	1 763	881 270	889 160
<b>Closing balance at 31 Dec 2017</b>	<b>1 702 326</b>	<b>3 731 301</b>	<b>-52 013</b>	<b>-2 867</b>	<b>7 788 150</b>	<b>13 166 897</b>

NOKt	Share capital <sup>1</sup>	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
<b>Opening balance at 1 Jan 2017</b>	<b>1 702 326</b>	<b>3 731 301</b>	<b>-58 140</b>	<b>-4 629</b>	<b>6 906 880</b>	<b>12 277 737</b>
Total comprehensive income			3 580	-37	649 879	653 422
<b>Closing balance at 30 Sep 2017</b>	<b>1 702 326</b>	<b>3 731 301</b>	<b>-54 560</b>	<b>-4 666</b>	<b>7 556 759</b>	<b>12 931 160</b>

<sup>1</sup> The company's share capital at 30 September 2018 was NOK 1.702.325.859,-. The number of shares was 15 336 269, each with a quota value of NOK 111,-. All shares were owned by Nordea Bank AB (publ) until 30 September 2018, and by Nordea Bank Apb from 1 October 2018.

<sup>2</sup> Related to IFRS 9. See Note 1 in the Interim Report for first quarter 2018 for more information.

### Nordea Eiendoms kreditt AS

Oslo, 26 October 2018



John Arne Sætre  
Chairman



Nicklas Ilebrand  
Vice Chairman



Ola Littorin  
Board member



Marte Kopperstad  
Board member



Alex Madsen  
Board member



Anne Sofie Knoph  
Employee representative



Børre S. Gundersen  
Chief Executive Officer

## Cash flow statement

NOKt	Jan-Sep 2018	Jan-Sep 2017	Year 2017
<b>Operating activities</b>			
Operating profit before tax	747 497	866 505	1 175 030
Adjustments for items not included in cash flow	2 894	18 163	20 657
Income taxes paid	-279 723	-193 750	-193 887
<b>Cash flow from operating activities before changes in operating assets and liabilities</b>	<b>470 668</b>	<b>690 918</b>	<b>1 001 800</b>
<b>Changes in operating assets</b>			
Change in loans to the public	21 043 554	-17 396 686	-29 502 839
Change in interest-bearing securities	-1 016 856	955 076	181 188
Change in derivatives, net	932 503	390 859	-26 533
Change in other assets	44 687	-19 520	-54 934
<b>Changes in operating liabilities</b>			
Change in deposits by credit institutions	-28 726 983	24 363 615	35 038 265
Change in debt securities in issue	8 320 263	-8 634 021	-6 483 701
Change in other liabilities	-544 685	-257 301	-170 637
<b>Cash flow from operating activities</b>	<b>523 151</b>	<b>92 941</b>	<b>-17 391</b>
<b>Investing activities</b>			
Purchase/sale of tangible fixed assets	0	0	0
Change in loans and receivables to credit institutions, fixed terms	0	0	0
Change in holdings of bearer bonds issued by others	0	0	0
<b>Cash flow from investing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Financing activities</b>			
Change in subordinated loan capital	0	0	0
Group contribution paid	-440 500	0	0
Group contribution received	0	0	0
Increase in share capital and share premium	0	0	0
<b>Cash flow from financing activities</b>	<b>-440 500</b>	<b>0</b>	<b>0</b>
<b>Cash flow for the year</b>	<b>82 650</b>	<b>92 941</b>	<b>-17 391</b>
Cash and cash equivalents at 1 January	138 509	155 900	155 900
Cash and cash equivalents at end of the period	221 159	248 841	138 509
<b>Change</b>	<b>82 650</b>	<b>92 941</b>	<b>-17 391</b>

### Comments on the cash flow statement

The cash flow statement shows inflows and outflows of cash and cash equivalents during the year. Nordea Eiendoms kreditt's cash flow has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as loan losses. The cash flows are classified by operating, investing and financing activities.

**Operating activities** are the principal revenue-producing activities and cash flows are mainly derived from the operating profit for the year with adjustment for items not included in cash flow and income taxes paid. Items not included in cash flow relates to changes in impairment charges. Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as loans and receivables, short-term funding and debt securities in issue. Changes in derivatives are reported net.

**Financing activities** are activities that result in changes in equity and subordinated liabilities, such as new issues of shares, group contribution paid or received and issued/amortised subordinated liabilities.

**Cash and cash equivalents** comprise loans to finance institutions with no fixed maturity (bank deposits).



# Notes to the financial statements

## Note 1 Accounting policies

The interim financial statements are presented in accordance with IAS 34 "Interim Financial Reporting".

The same accounting policies and methods of computation are followed as compared to the Annual Report 2017. For more information see Note 1 in the Annual Report 2017. For changes implemented during 2018, see "Changed accounting policies and presentation" below.

### Changed accounting policies and presentation

The following new and amended standards were implemented by Nordea Eiendoms kreditt at 1 January 2018:

#### IFRS 9 "Financial instruments"

The new standard IFRS 9 "Financial instruments" covers classification and measurement, impairment and general hedge accounting and replaces the earlier requirements covering these areas in IAS 39. The classification, measurement and impairment requirements in IFRS 9 were implemented by Nordea Eiendoms kreditt as from 1 January 2018. Nordea Eiendoms kreditt continues to use the IAS 39 hedge accounting requirements.

#### IFRS 15 "Revenue from Contracts with Customers"

The new standard IFRS 15 "Revenue from Contracts with Customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition standards and interpretations within IFRS, such as IAS 18 "Revenue". The standard does not apply to financial instruments, insurance contracts or lease contracts.

The standard was implemented by Nordea Eiendoms kreditt as from 1 January 2018. However, the implementation had no effect on the financial statements or capital adequacy.

### Changes in IFRSs not yet applied

#### IFRS 16 "Leases"

The IASB has published the new standard, IFRS 16 "Leases". The new standard changes the accounting requirements for lessees. All leases (except for short term- and low value leases) should be accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments should be recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. The new standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The standard was endorsed by the European Commission in 2017. Nordea Eiendoms kreditt does not intend to early adopt the standard.

The main impact on Nordea Eiendoms kreditt's financial statements is expected to come from the accounting of property leases. Such leasing contracts will be accounted for on the balance sheet to a larger extent than today. No significant impact is currently expected on the income statement or equity, although the presentation is expected to change in the income statement. The impact capital adequacy is related to that the increase of assets will lead to an increase of REA.

#### Other amendments to IFRS

Other amendments to IFRS are not assessed to have any significant impact on Nordea Eiendoms kreditt's financial statements, capital adequacy or large exposures in the period of initial application.

#### Exchange rates

	Jan-Sep 2018	Full year 2017	Jan-Sep 2017
<b>USD 1 = NOK</b>			
Income statement (average)	8.0345	8.2698	8.3059
Balance sheet (at end of period)	8.1777	8.2050	7.9726
<b>GBP 1 = NOK</b>			
Income statement (average)	10.8498	10.6496	10.5861
Balance sheet (at end of period)	10.6689	11.09104	10.6744
<b>EUR 1 = NOK</b>			
Income statement (average)	9.5900	9.3317	9.2361
Balance sheet (at end of period)	9.4665	9.8403	9.4125

## Note 2 Segment information

The activities of Nordea Eiendomskreditt AS represent a single segment. This is a result of the manner in which the company is organised and managed, including the system for internal reporting whereby the business is to all practical purposes managed as a single segment.

The services provided by Nordea Eiendomskreditt AS are judged to be subject to the same risks and yield requirements. Nordea Eiendomskreditt AS is part of the Personal Banking Business Area in Nordea.

## Note 3 Net result from items at fair value

### Net gains/losses for categories of financial instruments

NOKt	Jan-Sep 2018
Financial instruments at FVPL - Mandatorily <sup>1</sup>	15 312
Financial instruments under hedge accounting	-24 244
- of which net gains/losses on hedged items	388 985
- of which net gains/losses on hedging instruments	-413 229
<b>Total</b>	<b>-8 932</b>

<sup>1</sup> Financial Instruments at "Fair value through profit and loss (FVPL) - Mandatorily" comprises of interest bearing securities and derivatives held for economic hedging, which do not meet the requirements for hedge accounting according to IAS 39.

NOKt	Jan-Sep 2017	Full Year 2017
Financial instruments held for trading <sup>1</sup>	5 001	17 766
Financial instruments under hedge accounting	-21 628	-19 701
- of which net gains/losses on hedged items	138 663	198 516
- of which net gains/losses on hedging instruments	-160 292	-218 217
<b>Total</b>	<b>-16 626</b>	<b>-1 935</b>

<sup>1</sup> No assets or liabilities were classified as held for trading other than interest-bearing securities and derivatives held for economic hedging, which do not meet the requirements for hedge accounting according to IAS 39.

## Note 4 Net loan losses

### Net loan losses

NOKt	Jan-Sep 2018 <sup>1</sup>
Net loan losses, Stage 1	2 064
Net loan losses, Stage 2	760
<b>Total loan losses, non-defaulted</b>	<b>2 824</b>
<b>Stage 3, defaulted</b>	
Net loan losses, individually assessed, collectively calculated	-968
Realised loan losses	3 218
Decrease of provisions to cover realised loan losses	-1 943
Recoveries on previous realised loan losses	0
New/increase in provisions	5 497
Reversals of provisions	-2 500
<b>Net loan losses, defaulted</b>	<b>3 304</b>
<b>Net loan losses</b>	<b>6 128</b>

### Key ratios

	Jan-Sep 2018 <sup>1</sup>
<b>Loan loss ratio, basis points</b>	0.67
- of which stage 1	0.22
- of which stage 2	0.08
- of which stage 3	0.37

<sup>1</sup>Based on IFRS 9

### Net loan losses

NOKt	Jan-Sep 2017 <sup>2</sup>	Jan-Dec 2017 <sup>2</sup>
Realised loan losses	4 660	6 684
Allowances to cover realised loan losses	-3 555	-4 633
Provisions	25 059	30 129
Reversals of previous provisions	-3 340	-4 839
<b>Total loan losses for the period</b>	<b>22 823</b>	<b>27 341</b>

### Key ratios

	Jan-Sep 2017 <sup>2</sup>	Jan-Dec 2017 <sup>2</sup>
<b>Loan loss ratio, basis points</b>	2.5	2.2

<sup>2</sup>Based on IAS 39

## Note 5 Loans and impairment

### Loans and impairment

NOKt	30 Sep 2018 <sup>1</sup>	30 Sep 2017 <sup>2</sup>	31 Dec 2017 <sup>2</sup>
Loans measured at amortised cost, not impaired (Stage 1 and 2)	113 907 572	122 717 344	135 048 500
Impaired loans (Stage 3)	559 706	687 336	462 333
- of which servicing	106 737	27 841	17 939
- of which non-servicing	452 969	659 494	444 394
<b>Loans before allowances</b>	<b>114 467 278</b>	<b>123 404 680</b>	<b>135 510 833</b>
Allowances for individually assessed impaired loans (Stage 3)	-39 973	-27 834	-26 056
- of which servicing	-2 129	-2 087	-1 356
- of which non-servicing	-37 844	-25 747	-24 700
Allowances for collectively assessed impaired loans (Stage 1 and 2)	-18 620	-58 985	-63 257
<b>Allowances</b>	<b>-58 593</b>	<b>-86 819</b>	<b>-89 313</b>
<b>Loans, carrying amount</b>	<b>114 408 685</b>	<b>123 317 861</b>	<b>135 421 520</b>

<sup>1</sup>Based on IFRS 9

<sup>2</sup>Based on IAS 39

### Movements of allowance accounts for loans measured at amortised cost

NOKt	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January 2018<sup>1</sup></b>	2 529	13 749	39 818	56 097
Changes due to origination and acquisition	811	73	2 657	3 541
Changes due to change in credit risk (net)	1 649	3 565	3 535	8 748
Changes due to repayments and disposals	-420	-2 822	-4 190	-7 431
Write-off through decrease in allowance account			-1 943	-1 943
Other changes	-418			-418
Translation differences				0
<b>Balance at 30 September 2018</b>	<b>4 151</b>	<b>14 564</b>	<b>39 878</b>	<b>58 593</b>

<sup>1</sup>Based on IFRS 9

### Key ratios

	30 Sep 2018 <sup>1</sup>
Impairment rate (stage 3), gross, basis points	48.9
Impairment rate (stage 3), net, basis points	45.4
Total allowance rate (stage 1, 2 and 3), basis points	5.1
Allowances in relation to credit impaired loans (stage 3), basis points	714.2
Collective allowances in relation to loans in stage 1 and 2, basis points	1.6

<sup>1</sup>Based on IFRS 9

	30 Sep 2017	31 Dec 2017
Impairment rate, gross <sup>1</sup> , basis points	55.7	34.1
Impairment rate, net <sup>2</sup> , basis points	48.7	27.5
Total allowance rate <sup>3</sup> , basis points	7.0	6.6
Allowance rate, individually assessed impaired loans <sup>4</sup> , in %	4.0	5.6
Total allowances in relation to impaired loans <sup>5</sup> , in %	12.6	19.3
Non-servicing loans, not impaired <sup>6</sup> , in NOKt	125 006	44 284

These key ratios are based on IAS 39. Please note that the concept of stages did not exist in IAS 39.

<sup>1</sup> Impaired loans before allowances divided by total loans before allowances.

<sup>2</sup> Impaired loans after allowances divided by total loans before allowances.

<sup>3</sup> Total allowances divided by total loans before allowances.

<sup>4</sup> Allowances for individually assessed impaired loans divided by gross impaired loans.

<sup>5</sup> Total allowances divided by gross impaired loans.

<sup>6</sup> Past due loans, not impaired due to future cash flows.

## Note 6 Classification of financial instruments

Of the assets listed below, Loans to credit institutions, Loans to the public, Interest-bearing securities, Derivatives, as well as accrued interest on these items, are exposed to credit risk. The exposure equals the book value presented in the tables below.

NOKt	Fair value through profit or loss (FVPL)				Total
	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial assets	
<b>Assets</b>					
Loans to credit institutions	221 159				221 159
Loans to the public	114 408 685				114 408 685
Interest-bearing securities		6 603 120			6 603 120
Derivatives		50	719 465		719 515
Fair value changes of the hedged items in portfolio hedge of interest rate risk	12 852				12 852
Retirement benefit assets				2 161	2 161
Other assets	0			149	149
Prepaid expenses and accrued income	131 656			340	131 996
<b>Total 30 September 2018</b>	<b>114 774 352</b>	<b>6 603 170</b>	<b>719 465</b>	<b>2 650</b>	<b>122 099 637</b>

NOKt	Fair value through profit or loss (FVPL)				Total
	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial liabilities	
<b>Liabilities</b>					
Deposits by credit institutions	19 089 379				19 089 379
Debt securities in issue	85 921 883				85 921 883
Derivatives		53 846	1 752 885		1 806 731
Fair value changes of the hedged items in portfolio hedge of interest rate risk	452 370				452 370
Current tax liabilities				186 879	186 879
Other liabilities	283			3 937	4 220
Accrued expenses and prepaid income	274			34 761	35 035
Deferred tax liabilities				101 065	101 065
Provisions				190	190
Retirement benefit obligations				10 858	10 858
Subordinated loan capital	1 200 301				1 200 301
<b>Total 30 September 2018</b>	<b>106 664 490</b>	<b>53 846</b>	<b>1 752 885</b>	<b>337 690</b>	<b>108 808 911</b>

## Note 7 Derivatives and hedge accounting

30 September 2018, NOKt	Fair value		Total nominal amount
	Positive	Negative	
<b>Derivatives at FVPL - Mandatorily <sup>1</sup>:</b>			
Interest rate swaps	50	53 846	54 250 000
<b>Total</b>	<b>50</b>	<b>53 846</b>	<b>54 250 000</b>
<b>Derivatives used for hedge accounting:</b>			
Interest rate swaps	0	177 894	19 508 000
Currency interest rate swaps	719 465	1 574 991	12 384 756
<b>Total</b>	<b>719 465</b>	<b>1 752 885</b>	<b>31 892 756</b>
<b>Total derivatives</b>	<b>719 515</b>	<b>1 806 731</b>	<b>86 142 756</b>

<sup>1</sup> Derivatives at "Fair value through profit and loss (FVPL) - Mandatorily" comprises of derivatives held for economic hedging, which do not meet the requirements for hedge accounting according to IAS 39.

31 December 2017, NOKt	Fair value		Total nominal amount
	Positive	Negative	
<b>Derivatives held for trading <sup>1</sup>:</b>			
Interest rate swaps	46	38 971	45 500 000
<b>Total</b>	<b>46</b>	<b>38 971</b>	<b>45 500 000</b>
<b>Derivatives used for hedge accounting:</b>			
Interest rate swaps	1 194 794	130 337	18 784 000
Currency interest rate swaps	0	1 180 245	9 114 756
<b>Total</b>	<b>1 194 794</b>	<b>1 310 582</b>	<b>27 898 756</b>
<b>Total derivatives</b>	<b>1 194 840</b>	<b>1 349 553</b>	<b>73 398 756</b>

30 September 2017, NOKt	Fair value		Total nominal amount
	Positive	Negative	
<b>Derivatives held for trading <sup>1</sup>:</b>			
Interest rate swaps	0	55 253	44 500 000
<b>Total</b>	<b>0</b>	<b>55 253</b>	<b>44 500 000</b>
<b>Derivatives used for hedge accounting:</b>			
Interest rate swaps	1 130 291	136 858	18 017 000
Currency interest rate swaps	0	1 510 284	9 114 756
<b>Total</b>	<b>1 130 291</b>	<b>1 647 142</b>	<b>27 131 756</b>
<b>Total derivatives</b>	<b>1 130 291</b>	<b>1 702 395</b>	<b>71 631 756</b>

<sup>1</sup> No derivatives were classified as held for trading other than derivatives held for economic hedging, which do not meet the requirements for hedge accounting according to IAS 39.

## Note 8 Fair value of financial assets and liabilities

NOKt	30 September 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Loans	114 642 696	117 612 548	135 586 171	133 848 501
Interest-bearing securities	6 603 120	6 603 120	5 603 387	5 603 387
Derivatives	719 515	719 515	1 194 840	1 194 840
Accrued income and prepaid expenses	131 656	131 656	148 303	148 303
<b>Total financial assets</b>	<b>122 096 987</b>	<b>125 066 839</b>	<b>142 532 701</b>	<b>140 795 031</b>
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial liabilities</b>				
Deposits and debt instruments	106 663 933	107 727 420	127 598 745	128 822 011
Derivatives	1 806 731	1 806 731	1 349 553	1 349 553
Other financial liabilities	283	283	0	0
Accrued expenses and prepaid income	274	274	418	418
<b>Total financial liabilities</b>	<b>108 471 221</b>	<b>109 534 708</b>	<b>128 948 717</b>	<b>130 171 982</b>

The determination of fair value is described in the Annual Report 2017, Note 17 Assets and liabilities at fair value.

## Note 9 Financial assets and liabilities measured at fair value on the balance sheet

### Categorisation into fair value hierarchy

	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
<b>30 September 2018, NOKt</b>				
<b>Financial assets<sup>1</sup></b>				
Interest-bearing securities		6 603 120		6 603 120
Derivatives		719 515		719 515
<b>Total assets</b>	<b>0</b>	<b>7 322 635</b>	<b>0</b>	<b>7 322 635</b>
<b>Financial liabilities<sup>1</sup></b>				
Derivatives		1 806 731		1 806 731
<b>Total liabilities</b>	<b>0</b>	<b>1 806 731</b>	<b>0</b>	<b>1 806 731</b>
	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
<b>31 December 2017, NOKt</b>				
<b>Financial assets<sup>1</sup></b>				
Interest-bearing securities		5 603 387		5 603 387
Derivatives		1 194 840		1 194 840
<b>Total assets</b>	<b>0</b>	<b>6 798 227</b>	<b>0</b>	<b>6 798 227</b>
<b>Financial liabilities<sup>1</sup></b>				
Derivatives		1 349 553		1 349 553
<b>Total liabilities</b>	<b>0</b>	<b>1 349 553</b>	<b>0</b>	<b>1 349 553</b>

<sup>1</sup> All items are measured at fair value on a recurring basis at the end of each reporting period.

### Determination of fair values for items measured at fair value on the balance sheet

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments, based on independently sourced market parameters as described above, and assuming no risks and uncertainties. For more information about valuation techniques and inputs used in the fair value measurement, see the Annual Report 2017, Note 17 Assets and liabilities at fair value.

### Transfers between Level 1 and Level 2

There has not been any transfers between Level 1 and Level 2 in the first nine months of 2018. When transfers between levels occur, these are considered to have occurred at the end of the reporting period.

## Note 10 Capital adequacy

### Summary of items included in own funds

NOKm	30 Sep <sup>2</sup> 2018	31 Dec <sup>1</sup> 2017	30 Sep 2017
Calculation of own funds			
Equity in the consolidated situation	12 730	13 168	12 281
Proposed/actual dividend		-441	
Common Equity Tier 1 capital before regulatory adjustments	12 730	12 727	12 281
Deferred tax assets			
Intangible assets			
IRB provisions shortfall (-)	-94	-75	-84
Deduction for investments in credit institutions (50%)			
Pension assets in excess of related liabilities	-2		
Other items, net	67	43	38
Total regulatory adjustments to Common Equity Tier 1 capital	-28	-32	-46
<b>Common Equity Tier 1 capital (net after deduction)</b>	<b>12 702</b>	<b>12 695</b>	<b>12 235</b>
Additional Tier 1 capital before regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital			
Additional Tier 1 capital			
<b>Tier 1 capital (net after deduction)</b>	<b>12 702</b>	<b>12 695</b>	<b>12 235</b>
Tier 2 capital before regulatory adjustments	1 200	1 200	1 200
IRB provisions excess (+)	12	28	52
Deduction for investments in credit institutions (50%)			
Deductions for investments in insurance companies			
Pension assets in excess of related liabilities			
Other items, net			
Total regulatory adjustments to Tier 2 capital	12	28	52
Tier 2 capital	1 212	1 228	1 252
<b>Own funds (net after deduction)<sup>2</sup></b>	<b>13 914</b>	<b>13 923</b>	<b>13 487</b>

<sup>1</sup>Including profit for the period

<sup>2</sup>Own Funds adjusted for IRB provision, i.e. adjusted own funds equal 13996m by 30 Sep 2018

### Own Funds, including profit

NOKm	30 Sep 2018	31 Dec 2017	30 Sep 2017
Common Equity Tier 1 capital, including profit	12 880	12 246	13 112
Total Own Funds, including profit	14 093	13 474	14 364

### Minimum capital requirement and REA

NOKm	30 Sep 2018 Minimum Capital requirement	30 Sep 2018 REA	31 Dec 2017 Minimum Capital requirement	31 Dec 2017 REA	30 Sep 2017 Minimum Capital requirement	30 Sep 2017 REA
<b>Credit risk</b>	<b>921</b>	<b>11 506</b>	<b>1 012</b>	<b>12 652</b>	<b>928</b>	<b>11 604</b>
- of which counterparty credit risk	3	34	3	43	3	41
IRB	918	11 473	1 006	12 581	921	11 513
- sovereign	9	114	6	77	4	55
- corporate						
- advanced						
- foundation						
- institutions	21	259	13	161	12	155
- retail	888	11 100	987	12 343	904	11 302
- secured by immovable property collateral	714	8 920	790	9 879	756	9 449
- other retail	174	2 180	197	2 464	148	1 853
- other	0	0			0	1



## Minimum capital requirement and REA

	30 Sep 2018	30 Sep 2018	31 Dec 2017	31 Dec 2017	30 Sep 2017	30 Sep 2017
	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
<b>NOKm</b>						
Standardised	3	34	6	71	7	91
- central governments or central banks						
- regional governments or local authorities						
- public sector entities						
- multilateral development banks						
- international organisations						
- institutions	3	34	6	71	7	91
- corporate						
- retail						
- secured by mortgages on immovable properties						
- in default						
- associated with particularly high risk						
- covered bonds						
- institutions and corporates with a short-term credit assessment						
- collective investments undertakings (CIU)						
- equity						
- other items						

## Credit Value Adjustment Risk

### Market risk

- trading book, Internal Approach
- trading book, Standardised Approach
- banking book, Standardised Approach

<b>Operational risk</b>	<b>185</b>	<b>2 317</b>	<b>204</b>	<b>2 550</b>	<b>204</b>	<b>2 550</b>
Standardised	185	2 317	204	2 550	204	2 550

## Additional risk exposure amount due to Article 3 CRR

<b>Sub total</b>	<b>1 106</b>	<b>13 823</b>	<b>1 216</b>	<b>15 202</b>	<b>1 132</b>	<b>14 154</b>
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## Adjustment for Basel I floor

Additional capital requirement according to Basel I floor	2 958	36 970	3 578	44 725	3 248	40 604
<b>Total</b>	<b>4 063</b>	<b>50 793</b>	<b>4 794</b>	<b>59 927</b>	<b>4 381</b>	<b>54 758</b>

## Minimum Capital Requirement & Capital Buffers

Percentage	Minimum Capital requirement	Capital Buffers				Capital Buffers total	Total
		CCoB	CCyB	SII	SRB		
Common Equity Tier 1 capital	4.5	2.5	2		3.0	7.5	12.0
Tier 1 capital	6	2.5	2		3.0	7.5	13.5
Own funds	8	2.5	2		3.0	7.5	15.5

### NOKm

Common Equity Tier 1 capital	2 286	1 270	1 014		1 524	3 807	6 093
Tier 1 capital	3 048	1 270	1 014		1 524	3 807	6 855
Own funds	4 063	1 270	1 014		1 524	3 807	7 871

## Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	30 Sep <sup>2</sup> 2018	31 Dec <sup>1,2</sup> 2017	30 Sep <sup>2</sup> 2017
Common Equity Tier 1 capital	19.0	15.2	16.3

<sup>1</sup>Including profit for the period

<sup>2</sup>Including Basel I floor

## Capital ratios

	30 Sep <sup>2</sup> 2018	31 Dec 2017	30 Sep 2017
<b>Percentage</b>			
Common Equity Tier 1 capital ratio, including profit	93.2	83.5	91.1
Tier 1 capital ratio, including profit	93.2	83.5	91.1
Total capital ratio, including profit	102.0	91.6	100.0
Common Equity Tier 1 capital ratio, excluding profit	91.9	80.6	86.4
Tier 1 capital ratio, excluding profit	91.9	80.6	86.4
Total capital ratio, excluding profit	100.7	88.6	95.3

## Capital ratios including Basel I floor

	30 Sep <sup>2</sup> 2018	31 Dec 2017	30 Sep 2017
<b>Percentage</b>			
Common Equity Tier 1 capital ratio, including profit	25.4	21.2	23.6
Tier 1 capital ratio, including profit	25.4	21.2	23.6
Total capital ratio, including profit	27.7	23.2	25.8
Common Equity Tier 1 capital ratio, excluding profit	25.0	20.4	22.3
Tier 1 capital ratio, excluding profit	25.0	20.4	22.3
Total capital ratio, excluding profit	27.4	22.5	24.6

## Leverage ratio

	30 Sep <sup>2</sup> 2018	31 Dec <sup>1,2</sup> 2017	30 Sep <sup>2</sup> 2017
Tier 1 capital, transitional definition, NOKm	12 702	12 695	12 235
Leverage ratio exposure, NOKm	127 935	148 632	135 826
Leverage ratio, percentage	9.9	8.5	9.0

<sup>1</sup>Including profit for the period

<sup>2</sup>Leverate ratio is calculated according to the Delegated Act

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

	On-balance exposure, NOKm	Off-balance exposure, NOKm	Exposure value (EAD), NOKm <sup>1</sup>	of which EAD for off-balance, NOKm	Exposure- weighted average risk weight:
Sovereign, foundation IRB:	3 068		3 068		4
<i>of which</i>					
- rating grades 7	3 068		3 068		4
- rating grades 6					
- rating grades 5					
- rating grades 4					
- rating grades 3					
- rating grades 2					
- rating grades 1					
- unrated					
- defaulted					
Institutions, foundation IRB:	3 535		3 535		7
<i>of which</i>					
- rating grades 6	2 729		2 729		4
- rating grades 5					
- rating grades 4	806		806		18
- rating grades 3					
- rating grades 2					
- rating grades 1					
- unrated					
- defaulted					
Retail, of which secured by real estate:	106 910	12 090	111 021	4 111	8
<i>of which</i>					
- scoring grades A	85 696	10 856	89 387	3 691	5
- scoring grades B	13 957	890	14 260	303	11
- scoring grades C	4 882	265	4 972	90	23
- scoring grades D	1 911	74	1 936	25	41
- scoring grades E					
- scoring grades F					
- not scored	35		35		39
- defaulted	429	5	431	2	242

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

	On-balance exposure, NOKm	Off-balance exposure, NOKm	Exposure value (EAD), NOKm <sup>1</sup>	of which EAD for off-balance, NOKm	Exposure- weighted average risk weight:
Retail, of which other retail:	7 911	709	8 152	241	27
<i>of which</i>					
- scoring grades A	2 757	556	2 946	189	7
- scoring grades B	627	62	648	21	14
- scoring grades C	190	15	196	5	26
- scoring grades D	804	27	813	9	37
- scoring grades E	2 871	27	2 881	9	39
- scoring grades F	590	6	592	2	58
- not scored	33	15	38	5	35
- defaulted	38	0	38	0	130
Other non credit-obligation assets:	0		0		100

Nordea Eiendoms kreditt does not have the following IRB exposure classes: equity exposures, qualifying revolving retail

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

## Note 11 Risks and uncertainties

Nordea Eiendoms kreditt's sole business activity is lending secured by residential properties and holiday houses, and the company's main risk exposure is credit risk, which means the ability of its borrowers to service their loans. Secondly, the company is exposed to changes in the residential property market and the market for holiday houses.

Nordea Eiendoms kreditt is also exposed to risks such as market risk, liquidity risk and operational risk. Further information on the composition of the company's risk exposure and risk management can be found in the Annual Report for 2017.

None of the exposures and risks mentioned above is expected to have any significant adverse effect on the company over the next three months.

There have been no disputes or legal proceedings in which material claims have been raised against the company.

## Note 12 Transactions with related parties

Nordea Eiendoms kreditt considers that its related parties include its parent company, other companies in the Nordea Group, and key persons in senior positions. The previously announced re-domiciliation of the parent company in the Nordea Group has been executed and from 1 October 2018 the parent company of Nordea Eiendoms kreditt AS changed from Nordea Bank AB (publ) to Nordea Bank Abp.

Interest rate risk and currency risk that arise as part of Nordea Eiendoms kreditt's normal business activities, are hedged using interest rate and cross currency swaps. Counterparties to all derivative contracts are Nordea Group internal. The volume and fair value of the derivative contracts are shown in note 7.

Nordea Bank Abp, filial i Norge also provides short term unsecured funding to Nordea Eiendoms kreditt, and at the end of the third quarter 2018 such borrowings amounted to NOK 19.1 billion.

Loans to the public, which constitute Nordea Eiendoms kreditt's cover pool, are purchased from Nordea Bank Abp, filial i Norge. Instalments, early redemptions and refinancings will over time reduce the company's loan portfolio. Loans that cease to be a part of the portfolio, are replaced by new purchases of loans from the parent bank, if deemed necessary to maintain the level of overcollateralization, or for other strategic reasons. No new loans have been transferred from the parent bank so far in 2018.

Transferred loans are continued to be managed by Nordea Bank Abp, filial i Norge. For this service Nordea Eiendoms kreditt has paid an amount of NOK 254 million in the first nine months of 2018.

Nordea Eiendoms kreditt also buys services related to funding and risk control, accounting and reporting, and IT services from other Nordea companies according to agreements entered into. All group internal transactions are settled according to market based principles on conformity with OECD requirements on transfer pricing.

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