

# Nordea

## Interim Report 1<sup>st</sup> quarter 2020

Nordea Eiendoms kreditt AS

(Unaudited)



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*Nordea Eiendoms kreditt AS is part of the Nordea Group. Nordea is a Nordic universal bank. We are helping our customers realise their dreams and aspirations – and we have done that for 200 years. We want to make a real difference for our customers and the communities where we operate – by being a strong and personal financial partner. Nordea share is listed on the Nasdaq Helsinki, Nasdaq Copenhagen and Nasdaq Stockholm exchanges. Read more about us on [Nordea.com](https://www.nordea.com).*

# Key financial figures

## Summary of the income statement (NOKm)

	Jan-Mar 2020	Jan-Mar 2019	Year 2019
Net interest income	559	316	1,879
Net result from items at fair value	-70	-20	-31
Other operating income	20	9	66
<b>Total operating income</b>	<b>509</b>	<b>305</b>	<b>1,914</b>
Staff costs	6	5	19
Other expenses	209	83	604
<b>Total operating expenses</b>	<b>215</b>	<b>87</b>	<b>623</b>
Loan losses (negative figures are reversals)	-8	7	-2
<b>Operating profit</b>	<b>301</b>	<b>210</b>	<b>1,293</b>
Income tax expense	75	53	323
<b>Net profit for the period</b>	<b>226</b>	<b>158</b>	<b>970</b>

## Summary of the balance sheet (NOKm)

	31 Mar 2020	31 Mar 2019	31 Dec 2019
Loans to the public, gross	250,723	121,842	245,978
Allowance for loan losses	-93	-62	-103
Other assets	8,008	12,396	6,689
Debt securities in issue	102,596	91,079	98,124
Other liabilities	137,014	24,392	135,276
Equity	19,027	18,705	19,164
<b>Total assets</b>	<b>258,637</b>	<b>134,176</b>	<b>252,564</b>
Average total assets	255,229	131,932	205,635

## Ratios and key figures

	31 Mar 2020	31 Mar 2019	31 Dec 2019
Basic/diluted Earnings per share (EPS), annualised basis, NOK	58.8	41.1	63.2
Equity per share <sup>1</sup> , NOK	1,240.7	1,219.7	1,249.6
Shares outstanding <sup>1</sup> , million	15.3	15.3	15.3
Post-tax return on average equity	4.7 %	4.3 %	5.5 %
Cost/income ratio	42.3 %	28.7 %	32.6 %
Loan loss ratio, annualised, basis points	-1.2	2.3	-0.1
Common Equity Tier 1 capital ratio, excl. Basel I floor <sup>1,2</sup>	30.6 %	61.4 %	31.8 %
Tier 1 capital ratio, excl. Basel I floor <sup>1,2</sup>	30.6 %	61.4 %	31.8 %
Total capital ratio, excl. Basel I floor <sup>1,2</sup>	34.4 %	69.1 %	35.8 %
Common Equity Tier 1 capital ratio, incl. Basel I floor <sup>1,2</sup>	30.6 %	32.9 %	31.8 %
Tier 1 capital ratio, incl. Basel I floor <sup>1,2</sup>	30.6 %	32.9 %	31.8 %
Total capital ratio, incl. Basel I floor <sup>1,2</sup>	34.4 %	37.1 %	35.8 %
Own funds, NOKm <sup>1,2</sup>	20,711	20,819	20,789
Risk Exposure Amount incl. Basel I floor <sup>1</sup> , NOKm	60,140	56,186	58,023
Number of employees (Full-time equivalents) <sup>1</sup>	17.5	14.5	16.5

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

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

# Board of Directors' Report

## Introduction

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

Nordea Eiendoms kreditt's business objective is to grant and acquire residential mortgage loans, loans secured by mortgages over holiday houses and construction loans for residential properties and holiday houses, and to finance its lending activities substantially by issuing of covered bonds (bonds with a priority right of recourse to the company's collateral for its lending). The loan portfolio amounts to NOK 251bn at 31 March 2020 and comprise only of residential loans and loans to holiday homes bought from the parent bank. Nordea Eiendoms kreditt AS is a wholly owned subsidiary of Nordea Bank Abp.

In the first quarter of 2020, we have witnessed the global outbreak of Covid-19. This pandemic has turned into a societal and economic crisis, which will have severe economic consequences and could lead to long-term structural changes in society. The duration and extent of the economic impact of Covid-19 remain highly uncertain, and it is too early to predict the shape of the recovery.

The actions we are taking are focused on our key priorities – doing all we can to support our customers, keeping our employees safe and ensuring business continuity. For example, we are providing instalment-free periods for customers and over 90% of our employees are currently working remotely which is enabling us to be fully operational during this crisis and maintain a high activity level.

It is too early to conclude on the economic consequences of Covid-19, but we are ready to take mitigating steps over time.

## Income Statement

### Profit before loan losses

Operating profit in the first quarter of 2020 was NOK 301 million (NOK 210 million). The profit reported is equivalent to a post-tax return on average equity of 4.7% (4.3%) on an annualised basis.

Net interest income in the first quarter showed an increase of 77% compared to the same period last year and amounted to NOK 559 million (NOK 316 million). Lending margins have been tighter in the first quarter 2020 compared to the same period last year, but the loan portfolio has been twice the size, and this explains the increased net interest income. The loan customers have been notified of a decrease in the interest rate for their mortgage loans with effect from 3 April

2020, and this is expected to impact the net interest income for the next quarter.

Total operating expenses in the first quarter amounted to NOK 215 million (NOK 87 million). NOK 6 million (NOK 5 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, risk control, reporting and IT related services. In May 2019 the company changed its business model and started to originate mortgage loans directly from own balance sheet, thus increasing services outsourced to the Nordea Group to also include credit assessment and loan origination. The increased outsourcing and increased size of the loan portfolio explains the increase in total operating expenses.

## Net loan losses

Loan losses and provisions recognised in the accounts for the first quarter of 2020 was a net reversal of NOK 7.5 million, mainly related to collective model based provisions (net loss of NOK 7.0 million). Loan loss provisions have decreased from NOK 103.1 million at the beginning of the year, to NOK 93.5 million at 31 March 2020, with the decrease mainly in Stage 1 and 2. Realised loan losses were NOK 2.0 million. See note 4 and note 5 for further information about loan losses and impairment.

The assumptions for model based provisions were kept unchanged for the first quarter of 2020, as the impact of the Covid-19 outbreak on the economy is still highly uncertain. Also, mortgage lending exposures were considered to be affected only in the medium to long term in a long lasting Covid-19 outbreak scenario. Social safety nets and conservative loan-to-value levels effectively shield against net loan losses on mortgages in the Norwegian economy, and therefore no adjustments to the models were made.

Nordea will update its macroeconomic scenarios in the second quarter of 2020 and these will be reflected in the collective provision modelling for Nordea Eiendoms kreditt.

Development in the credit quality in terms risk grade distribution, was stable in the first quarter of 2020. Net scoring migration in the mortgage portfolio during the first quarter was positive, but as the economic consequences of the Covid-19 outbreak only started emerging late in Q1, this is expected to have an impact on credit quality going forward.

## Capital position and risk exposure amount

Nordea Eiendoms kreditt's Common Equity Tier 1 (CET1) capital ratio was 30.6%, excluding profit at the end of the first quarter, a decrease of 0.4 percentage points from the end of the previous quarter. This was primarily due to increased IRB credit risk REA in the retail portfolio. The Total Capital ratio decreased 0.6 percentage points to 34.4%, excluding profit.

Risk Exposure Amount (REA) was NOK 60,140 million, an increase of NOK 2,117 million, compared to the previous quarter. The main driver for the increase in REA was the IRB retail portfolio, primarily stemming from increased volumes of residential mortgage loans.

Own Funds excluding profit was NOK 20,711 million at the end of the first quarter. The Tier 1 capital and the Common Equity Tier 1 capital were NOK 18,382 million (no additional Tier 1 capital).

## Funding and liquidity

Nordea Eiendoms kreditt'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 Eiendoms kreditt consists entirely of Norwegian residential mortgage loans and loans to holiday homes in Norway.

During the first three months of 2020 Nordea Eiendoms kreditt issued covered bonds amounting to NOK 7.5 billion in the Norwegian domestic market under its NOK 150bn domestic covered bond programme. As of 31 March 2020, Nordea Eiendoms kreditt had outstanding covered bonds totalling NOK 96.6 billion in the Norwegian market, GBP 0.3 billion in the British market and EUR 0.1 billion in the European market. Nordea Eiendoms kreditt also had subordinated debt outstanding to the amount of NOK 2.3 billion.

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

In addition to the long-term funding, Nordea Eiendoms kreditt also raised short term unsecured funding from the parent bank. At the end of the first quarter of 2020 such borrowings amounted to NOK 133 billion.

The nominal value of the liquidity buffer is NOK 5.1 billion and the Liquidity Coverage Ratio (LCR) according to the EBA Delegated Act was 816% at the end of the first quarter.

## 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 251 billion as of 31 March 2020 (NOK 122 billion), bought from Nordea Bank Abp, filial i Norge or issued directly from Nordea Eiendoms kreditt's balance sheet. NOK 162 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 58.8% in relation to gross issued covered bonds.

Total assets amounted to NOK 259 billion at 31 March 2020 (NOK 134 billion).

## 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 first quarter of 2020, the company was party to interest rate swaps with a nominal value of NOK 59.0 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 31 March 2020 impaired loans amounted to NOK 924,7 million which corresponds to 0.37% of the total loan portfolio. Allowances of NOK 47.0 million have been made, and net impaired loans were NOK 877.6 million at 31 March 2020 compared to NOK 496.6 million at 31 March 2019.

## Nordea Eiendomskreditt AS

Oslo, 12 May 2020



Marte Kopperstad  
Vice Chair



Ola Littorin  
Board member



Alex Madsen  
Board member



Gro Elisabeth Lundevik  
Board member



Anne Sofie Knoph  
Employee representative



Børre Sten Gundersen  
Chief Executive Officer

## Income statement

NOKt	Note	Jan-Mar 2020	Jan-Mar 2019	Year 2019
<b>Operating income</b>				
Interest income calculated using the effective interest rate method		1,853,175	767,010	5,448,036
Other interest income		23,887	18,087	79,642
Interest expense		1,318,340	468,829	3,648,236
<b>Net interest income</b>	2	<b>558,722</b>	<b>316,268</b>	<b>1,879,442</b>
Fee and commission income		23,660	13,646	81,572
Fee and commission expense		3,882	4,736	16,003
<b>Net fee and commission income</b>		<b>19,777</b>	<b>8,910</b>	<b>65,569</b>
Net result from items at fair value	3	-70,084	-20,479	-30,869
Other operating income		121	0	301
<b>Total operating income</b>		<b>508,536</b>	<b>304,699</b>	<b>1,914,442</b>
Staff costs		5,829	4,715	19,440
Other operating expenses		209,445	82,746	603,650
Depr/amortisation and impairment charges		18	0	73
<b>Total operating expenses</b>		<b>215,292</b>	<b>87,460</b>	<b>623,163</b>
<b>Profit before loan losses</b>		<b>293,242</b>	<b>217,239</b>	<b>1,291,279</b>
Loan losses	4	-7,531	7,041	-1,823
<b>Operating profit</b>		<b>300,773</b>	<b>210,198</b>	<b>1,293,102</b>
Income tax expense		75,194	52,550	323,273
<b>Net profit for the period</b>		<b>225,580</b>	<b>157,649</b>	<b>969,829</b>
<b>Attributable to:</b>				
Shareholder of Nordea Eiendoms kreditt AS		225,580	157,649	969,829
<b>Total</b>		<b>225,580</b>	<b>157,649</b>	<b>969,829</b>

## Statement of comprehensive income

NOKt	Jan-Mar 2020	Jan-Mar 2019	Year 2019
<b>Net profit for the period</b>	<b>225,580</b>	<b>157,649</b>	<b>969,829</b>
<b>Items that may be reclassified subsequently to the income statement</b>			
Cash flow hedges:			
Valuation gains/losses during the period	167,950	16,350	28,890
Tax on valuation gains/losses during the period	-41,987	-4,127	-7,262
<b>Items that may not be reclassified subsequently to the income statement</b>			
Defined benefit plans:			
Remeasurement of defined benefit plans	-5,478	-2,799	-8,443
Tax on remeasurement of defined benefit plans	1,370	695	2,106
<b>Other comprehensive income, net of tax</b>	<b>121,854</b>	<b>10,119</b>	<b>15,292</b>
<b>Total comprehensive income</b>	<b>347,434</b>	<b>167,768</b>	<b>985,121</b>
<b>Attributable to:</b>			
Shareholders of Nordea Eiendoms kreditt AS	347,434	167,768	985,121
<b>Total</b>	<b>347,434</b>	<b>167,768</b>	<b>985,121</b>

## Balance sheet

NOKt	Note	31 Mar 2020	31 Mar 2019	31 Dec 2019
<b>Assets</b>				
Loans to credit institutions		20,884	188,966	267,389
Loans to the public	5	250,629,927	121,779,948	245,874,963
Interest-bearing securities		5,224,200	6,716,724	5,246,838
Derivatives	7	2,362,102	962,172	816,925
Fair value changes of the hedged items in portfolio hedge of interest rate risk		46,656	14,188	5,093
Property and Equipment owned and RoU		246	0	265
Retirement benefit asset		0	0	0
Other assets		23	4,365,123	23
Accrued income and prepaid expenses		353,440	149,156	352,524
<b>Total assets</b>	<b>6</b>	<b>258,637,477</b>	<b>134,176,278</b>	<b>252,564,019</b>
<b>Liabilities</b>				
Deposits by credit institutions		133,053,269	19,006,405	131,968,421
Debt securities in issue		102,596,001	91,079,160	98,123,667
Derivatives	7	88,738	281,297	171,207
Fair value changes of the hedged items in portfolio hedge of interest rate risk		998,232	497,428	301,478
Current tax liabilities		327,023	140,752	309,145
Other liabilities		14,263	2,017,240	9,257
Accrued expenses and prepaid income		88,364	16,547	61,336
Deferred tax liabilities		111,904	112,202	128,020
Provisions		1,680	233	1,543
Retirement benefit obligations		28,555	17,407	22,889
Subordinated loan capital		2,302,424	2,302,540	2,302,654
<b>Total liabilities</b>		<b>239,610,451</b>	<b>115,471,211</b>	<b>233,399,617</b>
<b>Equity</b>				
Share capital		1,717,662	1,717,662	1,717,662
Share premium		8,815,965	8,815,965	8,815,965
Other reserves		51,439	-75,587	-70,414
Retained earnings		8,216,380	8,089,378	8,701,190
Net profit for the period		225,580	157,649	
<b>Total equity</b>		<b>19,027,026</b>	<b>18,705,067</b>	<b>19,164,403</b>
<b>Total liabilities and equity</b>		<b>258,637,477</b>	<b>134,176,278</b>	<b>252,564,019</b>
Assets pledged as security for own liabilities		162,194,327	110,171,014	166,219,860
Contingent liabilities		183	362	183
Commitments		22,573,870	13,064,741	21,686,623

## Statements of changes in equity

NOKt	Share capital <sup>1</sup>	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
Opening balance at 1 Jan 2020	1,717,662	8,815,965	-59,356	-11,058	8,701,191	19,164,403
Total comprehensive income			125,962	-4,109	225,580	347,434
<b>Contribution and distribution</b>						
Share Based Payment Programme EIP					90	90
Dividend paid					-484,900	-484,900
<b>Closing balance at 31 Mar 2020</b>	<b>1,717,662</b>	<b>8,815,965</b>	<b>66,606</b>	<b>-15,167</b>	<b>8,441,960</b>	<b>19,027,026</b>

NOKt	Share capital <sup>1</sup>	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
Opening balance at 1 Jan 2019	1,702,326	3,731,301	-80,984	-4,722	8,089,279	13,437,200
Total comprehensive income			21,628	-6,336	969,829	985,121
<b>Contribution and distribution</b>						
Share Based Payment Programme EIP					343	343
Dividend paid					-358,260	-358,260
Increase of share capital	15,336	5,084,664				5,100,000
<b>Closing balance at 31 Dec 2019</b>	<b>1,717,662</b>	<b>8,815,965</b>	<b>-59,356</b>	<b>-11,058</b>	<b>8,701,191</b>	<b>19,164,403</b>

NOKt	Share capital <sup>1</sup>	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
Opening balance at 1 Jan 2019	1,702,326	3,731,301	-80,984	-4,722	8,089,279	13,437,200
Total comprehensive income			12,223	-2,104	157,649	167,768
Capital contribution <sup>2</sup>						99
Increase of share capital	15,336	5,084,664				5,100,000
<b>Closing balance at 31 Mar 2019</b>	<b>1,717,662</b>	<b>8,815,965</b>	<b>-68,761</b>	<b>-6,826</b>	<b>8,246,928</b>	<b>18,705,067</b>

<sup>1</sup> The company's share capital at 31 March 2020 was NOK 1.717.662.128,-. The number of shares was 15 336 269, each with a quota value of NOK 112,-. All shares are owned by Nordea Bank Abp.

<sup>2</sup> Capital contribution due to a share based payments program in accordance with IFRS 2.

## Nordea Eiendoms kreditt AS

Oslo, 12 May 2020



Marte Kopperstad  
Vice Chair



Ola Littorin  
Board member



Alex Madsen  
Board member



Gro Elisabeth Lundevik  
Board member



Anne Sofie Knoph  
Employee representative



Børre Sten Gundersen  
Chief Executive Officer



## Cash flow statement

NOKt	Jan-Mar 2020	Jan-Mar 2019	Year 2019
<b>Operating activities</b>			
Operating profit before tax	300,773	210,198	1,293,102
Adjustments for items not included in cash flow	-9,416	5,935	-8,837
Income taxes paid	-114,049	-139,862	-228,098
<b>Cash flow from operating activities before changes in operating assets and liabilities</b>	<b>177,308</b>	<b>76,271</b>	<b>1,056,167</b>
<b>Changes in operating assets</b>			
Change in loans to the public	-4,745,324	-9,922,362	-134,001,237
Change in interest-bearing securities	22,638	-129,838	1,407,193
Change in derivatives, net	-1,627,646	-1,106,523	-1,071,366
Change in other assets	-42,460	-4,316,161	-212,743
<b>Changes in operating liabilities</b>			
Change in deposits by credit institutions	1,084,848	-1,986,723	110,937,479
Change in debt securities in issue	4,472,334	8,381,673	15,559,446
Change in other liabilities	896,928	2,077,050	-167,762
<b>Cash flow from operating activities</b>	<b>238,626</b>	<b>-6,926,613</b>	<b>-6,492,823</b>
<b>Financing activities</b>			
Change in subordinated loan capital	-230	1,100,000	1,102,548
Group contribution paid	-484,900	0	0
Dividend paid	0	0	-358,260
Share Based Payment Programme EIP	0	0	343
Increase in share capital and share premium	0	5,100,000	5,100,000
<b>Cash flow from financing activities</b>	<b>-485,130</b>	<b>6,200,000</b>	<b>5,844,631</b>
<b>Cash flow for the year</b>	<b>-246,505</b>	<b>-726,614</b>	<b>-648,192</b>
Cash and cash equivalents at beginning of the period	267,389	915,581	915,581
Cash and cash equivalents at end of the period	20,884	188,966	267,389
<b>Change</b>	<b>-246,505</b>	<b>-726,614</b>	<b>-648,192</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, deposits from credit institutions 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 of Nordea Eiendoms kreditt AS have been prepared in accordance with IAS 34 “Interim Financial Reporting”, as endorsed by the EU commission. In addition, certain complementary rules in the Norwegian Accounting Act with supported regulation have been applied.

The accounting policies and methods of computation are unchanged in comparison to Note 1 in the Annual Report 2019, except for related to the items presented in the section “Changed accounting policies and presentation” below. For more information see Note 1 in the Annual Report 2019.

### Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea Eiendoms kreditt at 1 January 2020:

The following new and amended standards issued by IASB were implemented by Nordea Eiendoms kreditt 1 January 2020 but have not had any significant impact on the financial statements of the company:

- Amendments to References to the Conceptual Framework in IFRS standards
- Amendments to IAS 1 and IAS 8: Definitions of material

### Changes in IFRS not yet applied

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.

### Critical judgements and estimation uncertainty

Nordea Eiendoms kreditt has applied significant critical judgements in the preparation of the interim report for the first quarter 2020, due to the significant uncertainties in relation to the potential long-term impact of Covid-19 on Nordea Eiendoms kreditt’s financial statements. More information on where critical judgements are generally applied and where estimation uncertainty exists can be found in the Annual Report 2019, Note 1 “Accounting policies”, section 4. Areas particularly important in the first quarter are loans to the public, in particular in relation to the assessment of when loans have experienced a significant increase in credit risk (staging).

### Exchange rates

	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
<b>GBP 1 = NOK</b>			
Income statement (average)	12.1443	11.1705	11.2403
Balance sheet (at end of period)	13.0682	11.2075	11.5975
<b>EUR 1 = NOK</b>			
Income statement (average)	10.4678	9.7459	9.8521
Balance sheet (at end of period)	11.5405	9.6805	9.8463

## Note 2 Net interest income

	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
NOKt			
Interest income calculated using the effective interest rate method	1,853,175	767,010	5,448,036
Other interest income	23,887	18,087	79,642
<b>Interest income</b>	<b>1,877,062</b>	<b>785,097</b>	<b>5,527,678</b>
<b>Interest income</b>			
Loans to credit institutions	842	1,810	6,512
Loans to customers	1,832,481	768,462	5,398,698
Interest-bearing securities	23,887	18,087	79,642
Other interest income	19,852	-3,262	42,826
<b>Interest income</b>	<b>1,877,062</b>	<b>785,097</b>	<b>5,527,678</b>
<b>Interest expense</b>			
Deposits by credit institutions	723,619	113,920	1,793,429
Debt securities in issue	579,466	406,543	1,942,580
Subordinated loan capital	20,684	11,762	69,644
Other interest and related expense <sup>1</sup>	-5,429	-63,397	-157,418
<b>Interest expense</b>	<b>1,318,340</b>	<b>468,829</b>	<b>3,648,236</b>
<b>Net interest income</b>	<b>558,722</b>	<b>316,268</b>	<b>1,879,442</b>

### Interest from categories of financial instruments

	Jan-Mar 2020	Jan-Mar 2019	Full year 2019
NOKt			
Financial assets at fair value through other comprehensive income	0	0	0
Financial assets at amortised cost	1,833,324	770,272	5,405,210
Financial assets at fair value through profit and loss (related to hedging instruments) <sup>1</sup>	19,852	-3,262	42,826
<b>Interest income calculated using the effective interest rate method</b>	<b>1,853,175</b>	<b>767,010</b>	<b>5,448,036</b>
Other interest income	23,887	18,087	79,642
<b>Interest income</b>	<b>1,877,062</b>	<b>785,097</b>	<b>5,527,678</b>
Financial liabilities at amortised cost	1,323,769	532,225	3,805,654
Financial liabilities at fair value through profit and loss (related to hedging instruments) <sup>1</sup>	15,712	-59,491	-105,268
Other interest expenses	-21,141	-3,906	-52,150
<b>Interest expenses</b>	<b>1,318,340</b>	<b>468,829</b>	<b>3,648,236</b>

<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 2019.

## Note 3 Net result from items at fair value

NOKt	Jan-Mar 2020	Jan-Mar 2019	Year 2019
Financial instruments at FVPL - Mandatorily <sup>1</sup>	-31,485	-17,735	-21,278
Financial instruments under hedge accounting	-38,600	-2,744	-9,591
- of which net gains/losses on hedged items	-827,283	-8,150	154,902
- of which net gains/losses on hedging instruments	788,684	5,406	-164,493
<b>Total</b>	<b>-70,084</b>	<b>-20,479</b>	<b>-30,869</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.

## Note 4 Loan losses

Net loan losses	Jan-Mar 2020	Jan-Mar 2019	Year 2019
NOKt			
Net loan losses, Stage 1	-339	851	1,768
Net loan losses, Stage 2	-8,571	4,210	-2,904
<b>Total loan losses, non-defaulted<sup>1</sup></b>	<b>-8,910</b>	<b>5,061</b>	<b>-1,136</b>
<b>Stage 3, defaulted</b>			
Net loan losses, individually assessed, collectively calculated	922	1,164	-2,495
Realised loan losses	1,968	1,209	7,514
Decrease of provisions to cover realised loan losses	-1,496	-123	-3,766
Recoveries on previous realised loan losses	0	0	0
New/increase in provisions	0	844	1,312
Reversals of provisions	-17	-1,114	-3,251
<b>Net loan losses, defaulted</b>	<b>1,378</b>	<b>1,980</b>	<b>-686</b>
<b>Net loan losses</b>	<b>-7,531</b>	<b>7,041</b>	<b>-1,823</b>

Key ratios	Jan-Mar 2020	Jan-Mar 2019	Year 2019
Loan loss ratio, basis points	-1.21	2.37	-0.09
- of which stage 1	-0.05	0.33	0.09
- of which stage 2	-1.38	1.38	-0.15
- of which stage 3	0.22	0.65	-0.03

## Note 5 Loans and impairment

### Loans and impairment

NOKt	31 Mar 2020	31 Mar 2019	31 Dec 2019
Loans measured at amortised cost, not impaired (Stage 1 and 2)	249,798,720	121,307,151	245,194,065
Impaired loans (Stage 3)	924,682	535,166	784,011
- of which servicing	179,319	115,663	238,464
- of which non-servicing	745,362	419,502	545,547
<b>Loans before allowances</b>	<b>250,723,402</b>	<b>121,842,317</b>	<b>245,978,076</b>
Allowances for individually assessed impaired loans (Stage 3)	-47,043	-38,527	-47,718
- of which servicing	-4,995	-3,027	-5,640
- of which non-servicing	-42,047	-35,500	-42,078
Allowances for collectively assessed impaired loans (Stage 1 and 2)	-46,433	-23,841	-55,396
<b>Allowances</b>	<b>-93,475</b>	<b>-62,368</b>	<b>-103,114</b>
<b>Loans, carrying amount</b>	<b>250,629,927</b>	<b>121,779,948</b>	<b>245,874,963</b>

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

NOKt	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 January 2020</b>	<b>-15,559</b>	<b>-39,837</b>	<b>-47,718</b>	<b>-103,114</b>
Changes due to origination and acquisition	-497	-221	-1,258	-1,976
Changes due to transfers from Stage 1 to Stage 2	849	-8,250	0	-7,401
Changes due to transfers from Stage 1 to Stage 3	40	0	-706	-666
Changes due to transfers from Stage 2 to Stage 1	-4,569	16,904	0	12,335
Changes due to transfers from Stage 2 to Stage 3	0	1,067	-2,565	-1,498
Changes due to transfers from Stage 3 to Stage 1	-526	0	3,379	2,853
Changes due to transfers from Stage 3 to Stage 2	0	-151	1,385	1,234
Changes due to changes in credit risk without stage transfer	5,112	-795	441	4,758
Changes due to repayments and disposals	0	0	0	0
Write-off through decrease in allowance account	0	0	0	0
Changes due to update in the institution's methodology for estimation (net)	0	0	0	0
Other changes	0	0	0	0
Translation differences	0	0	0	0
<b>Balance at 31 March 2020</b>	<b>-15,149</b>	<b>-31,284</b>	<b>-47,043</b>	<b>-93,475</b>

### Key ratios

	31 Mar 2020	31 Mar 2019	31 Dec 2019
Impairment rate, (stage 3) gross, basis points <sup>1)</sup>	36.9	43.9	31.9
Impairment rate (stage 3), net, basis points <sup>2)</sup>	35.0	40.7	29.9
Total allowance rate (stage 1, 2 and 3), basis points <sup>3)</sup>	3.7	5.1	4.2
Allowances in relation to credit impaired loans (stage 3), % <sup>4)</sup>	5.1	7.2	6.1
Allowances in relation to loans in stage 1 and 2, basis points <sup>5)</sup>	1.9	2.0	2.3

<sup>1)</sup> Impaired loans (Stage 3) before allowances divided by total loans measured at amortised cost before allowances.

<sup>2)</sup> Impaired loans (Stage 3) after allowances divided by total loans measured at amortised cost before allowances.

<sup>3)</sup> Total allowances divided by total loans measured at amortised cost before allowances.

<sup>4)</sup> Allowances for impaired loans (stage 3) divided by impaired loans measured at amortised cost (stage 3) before allowances.

<sup>5)</sup> Allowances for not impaired loans (stage 1 and 2) divided by not impaired loans measured at amortised cost (stage 1 and 2) before allowances.

## 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.

31 March 2020, 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	20,884				20,884
Loans to the public	250,629,927				250,629,927
Interest-bearing securities		5,224,200			5,224,200
Derivatives		0	2,362,102		2,362,102
Fair value changes of the hedged items in portfolio hedge of interest rate risk	46,656				46,656
Equipment owned and RoU				246	246
Other assets	23				23
Prepaid expenses and accrued income	352,019			1,421	353,440
<b>Total 31 March 2020</b>	<b>251,049,509</b>	<b>5,224,200</b>	<b>2,362,102</b>	<b>1,667</b>	<b>258,637,477</b>

31 March 2020, 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	133,053,269				133,053,269
Debt securities in issue	102,596,001				102,596,001
Derivatives		76,279	12,459		88,738
Fair value changes of the hedged items in portfolio hedge of interest rate risk	998,232				998,232
Current tax liabilities				327,023	327,023
Other liabilities	6,069			8,194	14,263
Accrued expenses and prepaid income	2,571			85,793	88,364
Deferred tax liabilities				111,904	111,904
Provisions				1,680	1,680
Retirement benefit obligations				28,555	28,555
Subordinated loan capital	2,302,424				2,302,424
<b>Total 31 March 2020</b>	<b>238,958,565</b>	<b>76,279</b>	<b>12,459</b>	<b>563,148</b>	<b>239,610,451</b>

## Note 7 Derivatives and hedge accounting

31 Mar 2020, NOKt	Fair value		Total nominal amount	
	Positive	Negative		
<b>Derivatives at FVPL - Mandatorily <sup>1</sup>:</b>				
Interest rate swaps	0	76,279	37,000,000	
<b>Total</b>	<b>0</b>	<b>76,279</b>	<b>37,000,000</b>	
<b>Derivatives used for hedge accounting:</b>				
Interest rate swaps	1,400,263	12,459	22,098,000	
Currency interest rate swaps	961,839	0	4,340,730	
<b>Total</b>	<b>2,362,102</b>	<b>12,459</b>	<b>26,438,730</b>	
- of which fair value hedges	1,400,263	12,459	22,098,000	
- of which cash flow hedges	961,839	0	4,340,730	
<b>Total derivatives</b>	<b>2,362,102</b>	<b>88,738</b>	<b>63,438,730</b>	
<b>31 Dec 2019, NOKt</b>				
		Fair value		Total nominal amount
		Positive	Negative	
<b>Derivatives at FVPL - Mandorily <sup>1</sup>:</b>				
Interest rate swaps	0	60,479	32,000,000	
<b>Total</b>	<b>0</b>	<b>60,479</b>	<b>32,000,000</b>	
<b>Derivatives used for hedge accounting:</b>				
Interest rate swaps	550,459	34,207	21,853,000	
Currency interest rate swaps	266,466	76,522	5,866,256	
<b>Total</b>	<b>816,925</b>	<b>110,729</b>	<b>27,719,256</b>	
- of which fair value hedges	550,459	34,207	21,853,000	
- of which cash flow hedges	266,466	76,522	5,866,256	
<b>Total derivatives</b>	<b>816,925</b>	<b>171,208</b>	<b>59,719,256</b>	
<b>31 Mar 2019, NOKt</b>				
		Fair value		Total nominal amount
		Positive	Negative	
<b>Derivatives at FVPL - Mandorily <sup>1</sup>:</b>				
Interest rate swaps	0	76,904	52,250,000	
<b>Total</b>	<b>0</b>	<b>76,904</b>	<b>52,250,000</b>	
<b>Derivatives used for hedge accounting:</b>				
Interest rate swaps	885,839	77,430	18,738,000	
Currency interest rate swaps	76,333	126,963	5,866,256	
<b>Total</b>	<b>962,172</b>	<b>204,393</b>	<b>24,604,256</b>	
- of which fair value hedges	885,839	77,430	18,738,000	
- of which cash flow hedges	76,333	126,963	5,866,256	
<b>Total derivatives</b>	<b>962,172</b>	<b>281,297</b>	<b>76,854,256</b>	

<sup>1</sup> Derivatives at "Fair value through profit and loss (FVPL) - Mandatorily" consists of 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	31 Mar 2020		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Loans	250,697,467	250,924,418	246,147,445	245,793,916
Interest-bearing securities	5,224,200	5,224,200	5,246,838	5,246,838
Derivatives	2,362,102	2,362,102	816,925	816,925
Other assets	23	23	0	0
Prepaid expenses and accrued income	352,019	352,019	352,524	352,524
<b>Total financial assets</b>	<b>258,635,810</b>	<b>258,862,761</b>	<b>252,563,732</b>	<b>252,210,203</b>
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial liabilities</b>				
Deposits and debt instruments	238,949,925	237,356,002	232,696,220	233,464,348
Derivatives	88,738	88,738	171,207	171,207
Other financial liabilities	0	0	0	0
Accrued expenses and prepaid income	2,571	2,571	2,236	2,236
<b>Total financial liabilities</b>	<b>239,041,234</b>	<b>237,447,311</b>	<b>232,869,663</b>	<b>233,637,791</b>

The determination of fair value is described in the Annual Report 2019, Note 18 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>31 Mar 2020, NOKt</b>				
<b>Financial assets<sup>1</sup></b>				
Interest-bearing securities		5,224,200		5,224,200
Derivatives		2,362,102		2,362,102
<b>Total assets</b>	<b>0</b>	<b>7,586,302</b>	<b>0</b>	<b>7,586,302</b>
<b>Financial liabilities<sup>1</sup></b>				
Derivatives		88,738		88,738
<b>Total liabilities</b>	<b>0</b>	<b>88,738</b>	<b>0</b>	<b>88,738</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 Dec 2019, NOKt</b>				
<b>Financial assets<sup>1</sup></b>				
Interest-bearing securities		5,246,838		5,246,838
Derivatives		816,925		816,925
<b>Total assets</b>	<b>0</b>	<b>6,063,763</b>	<b>0</b>	<b>6,063,763</b>
<b>Financial liabilities<sup>1</sup></b>				
Derivatives		171,207		171,207
<b>Total liabilities</b>	<b>0</b>	<b>171,207</b>	<b>0</b>	<b>171,207</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

### Transfers between Level 1 and Level 2

There has not been any transfers between Level 1 and Level 2 so far this year. When transfers between levels occur, these are considered to have occurred at the end of the reporting period.



## Note 10 Cover Pool

NOKt	31 Mar 2020		31 Mar 2019		31 Dec 2019	
	Nominal value	Net Present Value	Nominal value	Net Present Value	Nominal value	Net Present Value
Loans to the public	250,723,400	250,924,418	121,842,317	121,910,779	245,978,073	245,624,544
- whereof pool of eligible loans	162,194,327	162,324,367	110,171,014	110,239,477	166,219,860	165,980,963
Supplementary assets and derivatives:						
- whereof CIRS	890,589	982,689	-515	9,037	168,125	213,629
- whereof IRS	0	1,602,585	0	1,077,844	0	738,171
<b>Total cover pool</b>	<b>163,084,916</b>	<b>164,909,640</b>	<b>110,170,499</b>	<b>111,326,358</b>	<b>166,387,985</b>	<b>166,932,763</b>
Debt securities in issue (net outstanding amount)	101,847,319	103,863,780	90,535,741	89,444,677	97,504,719	98,490,764
Over-collateralization calculated on net outstanding covered bonds	60.1 %	58.8 %	21.7 %	24.5 %	70.6 %	69.5 %
Debt securities in issue (issue amount)	101,847,319	103,863,780	94,055,741	93,086,110	97,504,719	98,490,764
Over-collateralization calculated on issued covered bonds (gross outstanding covered bonds) <sup>1</sup>	60.1 %	58.8 %	17.1 %	19.6 %	70.6 %	69.5 %

<sup>1</sup>without deduction for holdings of own bonds, if any.

The guidelines for calculating the over-collateralization requirement in the Norwegian legislation is given in the Financial Undertakings Act (Act No. 17 of 10 April 2015) Chapter 11 Bonds secured on a loan portfolio (covered bonds), and appurtenant regulations. The calculation shall be based on gross outstanding covered bonds and by use of Market values or Net present values. Due to different calculation methods, these may differ from Fair values disclosed in other notes to this Interim Report.

## Note 11 Debt securities in issue and loans from financial institutions

NOKt	31 Mar 2020			31 Dec 2019		
	Nominal value	Other <sup>1</sup>	Carrying amount	Nominal value	Other <sup>1</sup>	Carrying amount
Covered bonds issued in Norwegian kroner	96,616,000			91,452,000		
Holdings of own covered bonds in Norwegian kroner	0			0		
<b>Outstanding covered bonds issued in Norwegian kroner</b>	<b>96,616,000</b>			<b>91,452,000</b>		
Covered bonds issued in GBP (in NOK)	4,077,269			5,068,094		
Covered bonds issued in EUR (in NOK)	1,154,050			984,625		
<b>Total outstanding covered bonds</b>	<b>101,847,319</b>	<b>748,682</b>	<b>102,596,001</b>	<b>97,504,719</b>	<b>618,947</b>	<b>98,123,667</b>
Loans and deposits from financial institutions for a fixed term	132,019,951	328,402	132,348,353	131,589,951	378,470	131,968,421
Subordinated loan	2,300,000	2,424	2,302,424	2,300,000	2,654	2,302,654
<b>Total</b>	<b>236,167,270</b>	<b>1,079,508</b>	<b>237,246,778</b>	<b>231,394,670</b>	<b>1,000,071</b>	<b>232,394,742</b>

<sup>1</sup> Related to accrued interest and premium/discount on issued bonds.

### Maturity information

Maximum 1 year	29,773,650	45,174,334
More than 1 year	206,393,620	186,220,336
<b>Total</b>	<b>236,167,270</b>	<b>231,394,670</b>

### Norwegian covered bonds (NOKt) at 31 March 2020

ISIN code	Issue date	date	Interest	Interest rate in %	Currency	nominal amount
NO0010584345	02-09-2010	16-06-2021	Fixed	4.25	NOK	9,383,000
NO0010593064	22-12-2010	18-06-2025	Fixed	4.80	NOK	550,000
NO0010703531	14-02-2014	17-06-2020	Float	3M Nibor + 0.38%	NOK	5,354,000
NO0010729817	26-01-2015	16-06-2021	Float	3M Nibor + 0.20%	NOK	11,000,000
NO0010741903	15-07-2015	17-06-2020	Fixed	1.75	NOK	14,000
NO0010758931	08-03-2016	15-06-2022	Fixed	1.80	NOK	4,615,000
NO0010759632	17-03-2016	15-06-2022	Float	3M Nibor + 0.78%	NOK	17,550,000
NO0010766827	21-06-2016	18-06-2031	Fixed	2.20	NOK	500,000
NO0010812084	11-12-2017	17-09-2043	Fixed	2.20	NOK	300,000
NO0010819717	21-02-2018	21-06-2023	Float	3M Nibor + 0.30%	NOK	16,800,000
NO0010821986	04-05-2018	04-05-2048	Fixed	2.60	NOK	300,000
NO0010843626	26-02-2019	19-06-2024	Float	3M Nibor + 0.34%	NOK	17,950,000
NO0010852650	22-05-2019	22-05-2026	Fixed	2.17	NOK	4,800,000
NO0010873334	22-02-2020	19-03-2025	Float	3M Nibor + 0.26%	NOK	7,500,000
<b>Total</b>						<b>96,616,000</b>

### Covered bonds issued in foreign currency at 31 March 2020

ISIN code	Issue date	Final payment		Interest	Interest rate in %	Currency	Outstanding nominal amount
		date	date				
XS1487838291	09-09-2016	09-09-2021		Float	3M GBP Libor + 0.42 <sup>1</sup>	GBP	12,000
XS1837099339	18-06-2018	18-06-2023		Float	3M GBP Libor + 0.33 <sup>1</sup>	GBP	300,000
XS1451306036	19-07-2016	15-07-2031		Fixed	0.738	EUR	100,000
<b>Total (in NOKt equivalent)</b>							<b>5,231,319</b>

## Note 12 Capital adequacy

### Summary of items included in own funds

	31 Mar	31 Dec <sup>1</sup>	31 Mar
NOKm	2020	2019	2019
Equity in the consolidated situation	18,801	19,164	18,547
Proposed/actual dividend		-485	
Common Equity Tier 1 capital before regulatory adjustments	18,801	18,679	18,547
Deferred tax assets			
Intangible assets			
IRB provisions shortfall (-)	-343	-269	-93
Pension assets in excess of related liabilities			
Other items, net	-76	52	51
Total regulatory adjustments to Common Equity Tier 1 capital	-419	-217	-42
<b>Common Equity Tier 1 capital (net after deduction)</b>	<b>18,382</b>	<b>18,462</b>	<b>18,505</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>18,382</b>	<b>18,462</b>	<b>18,505</b>
Tier 2 capital before regulatory adjustments	2,300	2,300	2,300
IRB provisions excess (+)	29	27	13
Deductions for investments in insurance companies			
Other items, net			
Total regulatory adjustments to Tier 2 capital	29	27	13
Tier 2 capital	2,329	2,327	2,313
<b>Own funds (net after deduction)<sup>2</sup></b>	<b>20,711</b>	<b>20,789</b>	<b>20,819</b>

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

<sup>2</sup> Own Funds adjusted for IRB provision, i.e. adjusted own funds equal NOK 21,025m by 31 March 2020

### Own Funds, including profit

	31 Mar	31 Dec	31 Mar
NOKm	2019	2019	2019
Common Equity Tier 1 capital, including profit	18,494	18,462	18,671
Total Own Funds, including profit	20,823	20,789	20,984

## Note 12 Capital adequacy cont.

### Minimum capital requirement and REA

	31 Mar 2020	31 Mar 2020	31 Dec 2019	31 Dec 2019	31 Mar 2019	31 Mar 2019
	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
<b>NOKm</b>						
<b>Credit risk</b>	<b>4,615</b>	<b>57,683</b>	<b>4,471</b>	<b>55,883</b>	<b>2,240</b>	<b>27,995</b>
- of which counterparty credit risk	43	536	16	198	16	203
<b>IRB</b>	<b>4,572</b>	<b>57,142</b>	<b>4,451</b>	<b>55,632</b>	<b>2,223</b>	<b>27,783</b>
- sovereign						
- corporate						
- advanced						
- foundation						
- institutions	15	180	14	180	19	242
- retail	4,555	56,933	4,435	55,432	2,203	27,541
- secured by immovable property collateral	3,793	47,408	3,743	46,779	1,997	24,956
- other retail	762	9,525	692	8,653	207	2,585
- other	2	29	2	20	0	0
<b>Standardised</b>	<b>43</b>	<b>541</b>	<b>20</b>	<b>251</b>	<b>17</b>	<b>212</b>
- central governments or central banks						
- regional governments or local authorities						
- public sector entities						
- multilateral development banks						
- international organisations						
- institutions	43	541	20	251	17	212
- 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						
<b>Credit Value Adjustment Risk</b>						
Standardised	195	2,434	169	2,116	169	2,116
Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR						
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	1	23	2	24	1	14
<b>Additional risk exposure amount due to Article 3 CRR</b>						
<b>Sub total</b>	<b>4,811</b>	<b>60,140</b>	<b>4,642</b>	<b>58,023</b>	<b>2,410</b>	<b>30,126</b>
<b>Adjustment for Basel I floor<sup>1</sup></b>						
Additional capital requirement according to Basel I floor					2,085	26,061
<b>Total</b>	<b>4,811</b>	<b>60,140</b>	<b>4,642</b>	<b>58,023</b>	<b>4,495</b>	<b>56,186</b>

<sup>1</sup>The Basel I-floor is no longer applicable from Q4.2019 due to CRR implementation for the Norwegian entities

## Note 12 Capital adequacy cont.

### Minimum Capital Requirement & Capital Buffers

Percentage	Minimum Capital requirement	Capital Buffers				Capital Buffers total	Total
		CCoB	CCyB	O-SII	SRB		
	4.5	2.5	1.0		3.0	6.5	
Common Equity Tier 1 capital							11.0
Tier 1 capital	6.0	2.5	1.0		3.0	6.5	12.5
Own funds	8.0	2.5	1.0		3.0	6.5	14.5
<b>NOKm</b>							
Common Equity Tier 1 capital	2,706	1,504	600		1,804	3,908	6,614
Tier 1 capital	3,608	1,504	600		1,804	3,908	7,516
Own funds	4,811	1,504	600		1,804	3,908	8,719

### Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	31 Mar	31 Dec <sup>1</sup>	31 Mar <sup>2</sup>
	2020	2019	2019
Common Equity Tier 1 capital	24.6	25.8	26.9

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

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

### Capital ratios

Percentage	31 Mar	31 Dec	31 Mar
	2020	2019	2019
Common Equity Tier 1 capital ratio, including profit	30.8	31.8	62.0
Tier 1 capital ratio, including profit	30.8	31.8	62.0
Total capital ratio, including profit	34.6	35.8	69.7
Common Equity Tier 1 capital ratio, excluding profit	30.6	31.0	61.4
Tier 1 capital ratio, excluding profit	30.6	31.0	61.4
Total capital ratio, excluding profit	34.4	35.0	69.1

### Capital ratios including Basel I floor

Percentage	31 Mar <sup>1</sup>	31 Dec <sup>1</sup>	31 Mar
	2020	2019	2019
Common Equity Tier 1 capital ratio, including profit	30.8	31.8	33.2
Tier 1 capital ratio, including profit	30.8	31.8	33.2
Total capital ratio, including profit	34.6	35.8	37.3
Common Equity Tier 1 capital ratio, excluding profit	30.6	31.0	32.9
Tier 1 capital ratio, excluding profit	30.6	31.0	32.9
Total capital ratio, excluding profit	34.4	35.0	37.1

<sup>1</sup>The Basel I-floor is no longer applicable from Q4.2019 due to CRR implementation for the Norwegian entities

### Leverage ratio

Leverage ratio	31 Mar	31 Dec <sup>1</sup>	31 Mar
	2020	2019	2019
Tier 1 capital, transitional definition, NOKm	18,382	18,462	18,505
Leverage ratio exposure, NOKm	269,875	263,381	140,737
Leverage ratio, percentage	6.8	7.0	13.1

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

## Note 12 Capital adequacy cont.

### 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 secured by real estate:	215,167	5,083	216,895	1,728	22
<i>of which</i>					
- scoring grades A	163,856	4,412	165,356	1,500	20
- scoring grades B	31,983	443	32,133	151	21
- scoring grades C	13,150	173	13,209	59	24
- scoring grades D	5,584	41	5,598	14	39
- scoring grades E					
- scoring grades F					
- not scored					
- defaulted	594	14	599	4	241
Retail, of which other retail:	35,881	17,491	41,824	5,947	23
<i>of which</i>					
- scoring grades A	14,476	14,854	19,527	5,050	7
- scoring grades B	3,728	1,373	4,195	467	15
- scoring grades C	1,548	502	1,719	171	26
- scoring grades D	2,785	254	2,871	86	37
- scoring grades E	10,750	410	10,889	140	39
- scoring grades F	1,752	32	1,763	11	58
- not scored	731	62	748	21	64
- defaulted	111	4	112	1	278
Other non credit-obligation assets:	29		29		100

Nordea 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 13 Risks and uncertainties

Nordea Eiendomskreditt'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.

There are significant risks caused by the Covid-19 outbreak given the uncertainty of the economic impact on the Norwegian mortgage market. The extent of economic disruption caused by 'lock downs' is still not clear. Possibly extended or reintroduced 'lock downs' potentially for a considerable period of time, could cause further

significant downside risks. The effect of these developments on Nordea Eiendomskreditt's financial performance is also highly uncertain and is likely to have an impact through further loan losses or reduction in income.

Nordea Eiendomskreditt 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 2019.

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

## Note 14 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.

Interest rate risk and currency risk that arise as part of Nordea Eiendoms kreditt's normal business activities, are hedged using interest rate and 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 provides unsecured funding to Nordea Eiendoms kreditt, and at the end of the first quarter 2020 such borrowings amounted to NOK 133 billion.

Loans to the public are managed by Nordea Bank Abp, filial i Norge. For loans issued directly from Nordea Eiendoms kreditt, credit assessment and other processes in relation to the loan origination, as well as managing the loans throughout the lifetime, are performed in Nordea Bank Abp, filial i Norge. For this service Nordea Eiendoms kreditt has paid an amount of NOK 195 million in the first quarter of 2020.

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.

## Addresses

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### Nordea Eiendoms kreditt AS

Visiting address:	Essendropsgate 7
Postal address:	P.O. Box Sentrum, 0107 Oslo
Telephone:	+47 22 48 50 00
Internet:	<a href="http://www.nordea.no">www.nordea.no</a>