

Nordea

Interim Report 2nd quarter 2020

Nordea Eiendoms kreditt AS

(unaudited)



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-Jun 2020	Jan-Jun 2019	Year 2019
Net interest income	962	736	1 879
Net result from items at fair value	-22	-16	-31
Other operating income	41	26	66
Total operating income	981	745	1 914
Staff costs	11	9	19
Other expenses	423	210	604
Total operating expenses	435	219	623
Loan losses (negative figures are reversals)	109	3	-2
Operating profit	438	522	1 293
Income tax expense	109	131	323
Net profit for the period	328	392	970

Summary of the balance sheet (NOKm)

	30 Jun 2020	30 Jun 2019	31 Dec 2019
Loans to the public, gross	259 586	242 160	245 978
Allowance for loan losses	-205	-111	-103
Other assets	7 087	9 856	6 689
Debt securities in issue	135 987	93 939	98 124
Other liabilities	111 467	139 020	135 276
Equity	19 014	18 946	19 164
Total assets	266 468	251 905	252 564
Average total assets	259 155	166 805	205 635

Ratios and key figures

	30 Jun 2020	30 Jun 2019	31 Dec 2019
Basic/diluted Earnings per share (EPS), annualised basis, NOK	42,8	51,1	63,2
Equity per share ¹ , NOK	1 239,8	1 235,4	1 249,6
Shares outstanding ¹ , million	15,3	15,3	15,3
Post-tax return on average equity	3,4 %	4,7 %	5,5 %
Cost/income ratio	44,3 %	29,4 %	32,6 %
Loan loss ratio, annualised, basis points	8,6	0,4	-0,1
Common Equity Tier 1 capital ratio, excl. Basel I floor ^{1,2}	29,8 %	32,8 %	31,8 %
Tier 1 capital ratio, excl. Basel I floor ^{1,2}	29,8 %	32,8 %	31,8 %
Total capital ratio, excl. Basel I floor ^{1,2}	33,5 %	37,0 %	35,8 %
Common Equity Tier 1 capital ratio, incl. Basel I floor ^{1,2}	29,8 %	16,1 %	31,8 %
Tier 1 capital ratio, incl. Basel I floor ^{1,2}	29,8 %	16,1 %	31,8 %
Total capital ratio, incl. Basel I floor ^{1,2}	33,5 %	18,1 %	35,8 %
Own funds, NOKm ^{1,2}	20 850	20 681	20 789
Risk Exposure Amount incl. Basel I floor ¹ , NOKm	62 161	114 220	58 023
Number of employees (Full-time equivalents) ¹	18,5	16,5	16,5

¹ At the end of the period.

² 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 260bn at 30 June 2020 and comprise only of residential loans and loans to holiday homes bought from the parent bank or originated directly from own balance sheet. Nordea Eiendoms kreditt AS is a wholly owned subsidiary of Nordea Bank Abp.

The impacts of Covid-19 have become increasingly evident during the second quarter and the pandemic continues to severely affect individuals, businesses and societies. Even though the unemployment number has come down significantly and the housing market came back strongly during the quarter, it is still too early to conclude on the longer-term economic consequences of the Covid-19 crisis. Our capital and liquidity positions remain strong, which enables us to continue to support our customers e.g. with instalment-fee periods.

The credit quality of our loan book remains strong with currently no signs of negative development in the loan portfolio or increased default. During the second quarter we have updated our macro-economic scenarios including a longer term view of the expected impact of the economic downturn. Based on the outcome of the analysis, we have increased the loan loss allowances from NOK 93m to NOK 205m during this quarter to cover for expected future loan losses, IFRS 9 model improvements and ECB's new guidance on non-performing loans. All in all, we deem this proactive approach to be prudent and appropriate given the current economic uncertainty.

Income Statement

Profit before loan losses

Operating profit in the first half year of 2020 was NOK 438 million (NOK 522 million). The profit reported is equivalent to a post-tax return on average equity of 3.4% (4.7%) on an annualised basis.

Net interest income in the first half year showed an increase of 31% compared to the same period last year and amounted to NOK 962 million (NOK 736 million). Lending margins have been tighter in 2020 compared to last year, especially in the second quarter but the loan portfolio has been 60% higher, and this explains the increased net interest income. The reduced margin from the first to the second quarter of 2020 is due to a general reduction in lending rates following a reduction of Norges Bank's key policy rate in March. Also the company's funding cost has decreased due to gradually reduction in the Nibor rates, but with delayed effect since the funding terms are typically with 3 months' interest fixing intervals.

Total operating expenses in the first half year amounted to NOK 435 million (NOK 219 million). NOK 11 million (NOK 9 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 half year of 2020 was NOK 109 million, mainly related to model based provisions (NOK 3 million). Total loan loss allowances have increased from NOK 103 million at the beginning of the year, to NOK 205 million at 30 June 2020, with the increase mainly related to model based loan loss provisions in stage 1 and 2. Realised loan losses were NOK 3 million. See note 4 and note 5 for further information about loan losses and impairment.

In the second quarter underlying net loan losses were a reversal of NOK 4.7 million. In addition, management judgement provisions of NOK 121.0 million have been made to cover future expected loan losses, leading to total net loan losses of NOK 116.3 million.

The management judgement provision means that we have a buffer of NOK 121.0 million to cover for expected future loan losses, IFRS 9 model improvements and including ECB's new

guidance on non-performing loans coming into force in the fourth quarter of 2020.

Underlying net loan losses

The driver of the NOK -4.7 million underlying net loan losses for the quarter was updated macro-economic scenarios in the IFRS 9 provisioning models. While the overall loss level has increased from pre Covid-19 levels, the underlying net loan losses in the quarter reflected Nordea Eiendoms kreditt's strong underlying credit portfolio. No significant deterioration in credit quality or new defaults have been observed in the quarter.

Management judgement provisions

Nordea Eiendoms kreditt has considered it prudent and appropriate to complement the outcome of the individual and modelled collective provisions with additional cyclical management judgements of NOK 99.3 million to account for expected loan losses following future expected rating downgrades not yet appropriately captured by the IFRS 9 collective provisioning models. In addition, a further structural management judgement of NOK 21.7 million was included to cover the identified development needs in our IFRS 9 collective provisioning models.

Nordea Eiendoms kreditt will take appropriate actions to release management judgements as respective losses are realised or captured by Nordea's models, whilst maintaining in place an adequate management judgement.

Capital position and risk exposure amount

Nordea Eiendoms kreditt's Common Equity Tier 1 (CET1) capital ratio was 29,8%, excluding profit at the end of the second quarter, a decrease of 0.8 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 0.9 percentage points to 33.5%, excluding profit.

Risk Exposure Amount (REA) was NOK 62,161 million, an increase of NOK 2,021 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 20,850 million at the end of the second quarter. The Tier 1 capital and the Common Equity Tier 1 capital were NOK 18,510 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 six months of 2020 Nordea Eiendoms kreditt issued covered bonds amounting to NOK 48.9 billion in the Norwegian domestic market under its NOK 150bn domestic covered bond programme. As of 30 June 2020, Nordea Eiendoms kreditt had outstanding covered bonds totalling NOK 130.9 billion in the Norwegian market, GBP 0.3 billion in the British market and EUR 0.1 billion in the European market. NOK 36.0bn of the issued covered, is retained in the parent bank, and can be used as collateral for F-Loans in the Norwegian central bank. Nordea Eiendoms kreditt also had subordinated debt outstanding to the amount of NOK 2.3 billion.

The EUR 10bn EMTN covered bond programme was established in June 2013, to primarily target covered bond issuance in USD RegS, CHF, EUR and GBP, complementing issuance under the domestic programme. This programme is not updated and is not expected to be used again.

In addition to the long-term covered bond funding, Nordea Eiendoms kreditt also raised unsecured funding from the parent bank. At the end of the second quarter of 2020 such borrowings amounted to NOK 107 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 984% at the end of the second 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 260 billion as of 30 June 2020 (NOK 242 billion), bought from Nordea Bank Abp, filial i Norge or issued directly from Nordea Eiendoms kreditt's balance sheet. NOK 170 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 25.5% in relation to gross issued covered bonds.

The carrying amount of loans where Nordea Eiendoms kreditt had granted payment holidays at the end of Q2 2020 amounted to NOK 31bn, which corresponds to 12% of the loan portfolio.

Total assets amounted to NOK 266 billion at 30 June 2020 (NOK 252 billion).

Interest rate and currency hedging

quarter of 2020, the company was party to interest rate swaps with a nominal value of NOK 46.5 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

The company uses interest rate and currency swaps to hedge interest rate and currency risk. At the close of the second

covered bonds issued in foreign currencies. Counterparties to all derivative contracts are within the Nordea group.

Impaired loans

As of 30 June 2020 impaired loans amounted to NOK 872 million which corresponds to 0.34% of the total loan portfolio. Allowances of NOK 59 million have been made, and net impaired loans were NOK 813 million at 30 June 2020 compared to NOK 736 million at 30 June 2019.

Nordea Eiendoms kreditt AS

Oslo, 17 July 2020



Marte Kopperstad
Chair



Randi Marjamaa
Vice Chair



Ola Littorin
Board member



Alex Madsen
Board member



Gro Elisabeth Lundevik
Board member



Anne Sofie Knoph
Employee representative



Børre S. Gundersen
Chief Executive Officer

Income statement

NOKt	Note	Jan-Jun 2020	Jan-Jun 2019	Q2 2020	Q2 2019	Year 2019
Operating income						
Interest income calculated using the effective interest rate method		3 154 168	1 920 846	1 300 992	1 153 835	5 448 036
Other interest income		38 553	38 488	14 666	20 400	79 642
Interest expense		2 230 694	1 223 792	912 352	754 962	3 648 239
Net interest income	2	962 027	735 541	403 306	419 273	1 879 439
Fee and commission income		47 030	32 215	23 370	18 571	81 572
Fee and commission expense		5 975	6 648	2 092	1 913	16 003
Net fee and commission income		41 056	25 568	21 278	16 658	65 569
Net result from items at fair value	3	-22 057	-16 311	48 027	4 168	-30 869
Other operating income		265	0	145	0	301
Total operating income		981 290	744 799	472 756	440 099	1 914 439
Staff costs		11 222	8 600	5 393	3 886	19 440
Other operating expenses		423 396	210 379	213 952	127 649	603 650
Depr/amortisation and impairment charges		37	17	18	0	73
Total operating expenses		434 655	218 995	219 363	131 535	623 163
Profit before loan losses		546 635	525 804	253 393	308 565	1 291 279
Loan losses	4	108 806	3 487	116 337	-3 554	-1 823
Operating profit		437 829	522 317	137 056	312 119	1 293 102
Income tax expense		109 458	130 579	34 264	78 030	323 273
Net profit for the period		328 372	391 738	102 792	234 089	969 829
Attributable to:						
Shareholder of Nordea Eiendomskreditt AS		328 372	391 738	102 792	234 089	969 829
Total		328 372	391 738	102 792	234 089	969 829

Statement of comprehensive income

NOKt	Jan-Jun 2020	Jan-Jun 2019	Q2 2020	Q2 2019	Year 2019
Net profit for the period	328 372	391 738	102 792	234 089	969 829
Items that may be reclassified subsequently to the income statement					
Cash flow hedges:					
Valuation gains/losses during the period	16 515	26 452	-151 435	10 103	28 890
Tax on valuation gains/losses during the period	-4 129	-6 653	37 859	-2 526	-7 262
Items that may not be reclassified subsequently to the income statement					
Defined benefit plans:					
Remeasurement of defined benefit plans	-8 579	-3 796	-3 100	-998	-8 443
Tax on remeasurement of defined benefit plans	2 145	945	775	249	2 106
Other comprehensive income, net of tax	5 952	16 947	-115 902	6 829	15 292
Total comprehensive income	334 324	408 685	-13 110	240 918	985 121
Attributable to:					
Shareholders of Nordea Eiendomskreditt AS	334 324	408 685	-13 110	240 918	985 121
Total	334 324	408 685	-13 110	240 918	985 121

Balance sheet

NOKt	Note	30 Jun 2020	30 Jun 2019	31 Dec 2019
Assets				
Loans to credit institutions		20 883	629 559	267 389
Loans to the public	5	259 380 829	242 049 094	245 874 963
Interest-bearing securities		5 195 568	6 316 084	5 246 838
Derivatives	7	1 572 021	511 791	816 925
Fair value changes of the hedged items in portfolio hedge of interest rate risk		52 961	11 665	5 093
Property and Equipment owned and RoU		228	0	265
Deferred tax assets		2 157	0	0
Other assets		0	2 077 941	23
Accrued income and prepaid expenses		243 050	309 310	352 524
Total assets	6	266 467 696	251 905 444	252 564 019
Liabilities				
Deposits by credit institutions		107 388 102	134 735 452	131 968 421
Debt securities in issue		135 986 609	93 939 057	98 123 667
Derivatives	7	46 456	377 306	171 207
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1 175 257	502 867	301 478
Current tax liabilities		436 714	78 921	309 145
Other liabilities		28 474	868 316	9 257
Accrued expenses and prepaid income		53 973	21 607	61 336
Deferred tax liabilities		0	114 479	128 020
Provisions		4 816	187	1 543
Retirement benefit obligations		31 842	18 594	22 889
Subordinated loan capital		2 301 480	2 302 586	2 302 654
Total liabilities		247 453 723	232 959 371	233 399 617
Equity				
Share capital		1 717 662	1 717 662	1 717 662
Share premium		8 815 965	8 815 965	8 815 965
Other reserves		-64 463	-68 758	-70 414
Retained earnings		8 216 437	8 089 466	8 701 190
Net profit for the period		328 372	391 738	
Total equity		19 013 973	18 946 073	19 164 403
Total liabilities and equity		266 467 696	251 905 444	252 564 019
Assets pledged as security for own liabilities		170 051 023	158 916 179	166 219 860
Contingent liabilities		183	362	183
Commitments		24 416 070	21 580 905	21 686 623

Statements of changes in equity

NOKt	Share capital ¹	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			12 386	-6 434	328 372	334 324
Contribution and distribution						
Share Based Payment Programme EIP					147	147
Dividend paid					-484 900	-484 900
Closing balance at 30 Jun 2020	1 717 662	8 815 965	-46 970	-17 492	8 544 809	19 013 973

NOKt	Share capital ¹	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
Contribution and distribution						
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
Closing balance at 31 Dec 2019	1 717 662	8 815 965	-59 356	-11 058	8 701 191	19 164 403

NOKt	Share capital ¹	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			19 799	-2 851	391 738	408 686
Capital contribution ²						187
Increase of share capital	15 336	5 084 664				5 100 000
Closing balance at 30 Jun 2019	1 717 662	8 815 965	-61 185	-7 573	8 481 017	18 946 073

¹ The company's share capital at 30 June 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.

² Capital contribution due to a share based payments program in accordance with IFRS 2.

Nordea Eiendomskreditt AS

Oslo, 17 July 2020



Marte Kopperstad
Chair



Randi Marjamaa
Vice Chair



Ola Littorin
Board member



Alex Madsen
Board member



Gro Elisabeth Lundevik
Board member



Anne Sofie Knoph
Employee representative



Børre S. Gundersen
Chief Executive Officer

Cash flow statement

NOKt	Jan-Jun 2020	Jan-Jun 2019	Year 2019
Operating activities			
Operating profit before tax	437 829	522 317	1 293 102
Adjustments for items not included in cash flow	105 428	-77 718	-8 837
Income taxes paid	-114 049	-279 723	-228 098
Cash flow from operating activities before changes in operating assets and liabilities	429 207	164 876	1 056 167
Changes in operating assets			
Change in loans to the public	-13 608 022	-130 243 832	-134 001 237
Change in interest-bearing securities	51 270	308 485	1 407 193
Change in derivatives, net	-879 847	-548 727	-1 071 366
Change in other assets	61 666	-2 077 746	-212 743
Changes in operating liabilities			
Change in deposits by credit institutions	-24 580 319	113 704 510	110 937 479
Change in debt securities in issue	37 862 942	11 374 836	15 559 446
Change in other liabilities	902 524	829 096	-167 762
Cash flow from operating activities	239 422	-6 488 502	-6 492 823
Financing activities			
Change in subordinated loan capital	-1 174	1 102 480	1 102 548
Group contribution paid	-484 900	0	0
Dividend paid	0	0	-358 260
Share Based Payment Programme EIP	147	0	343
Increase in share capital and share premium	0	5 100 000	5 100 000
Cash flow from financing activities	-485 927	6 202 480	5 844 631
Cash flow for the year	-246 506	-286 022	-648 192
Cash and cash equivalents at beginning of the period	267 389	915 581	915 581
Cash and cash equivalents at end of the period	20 883	629 559	267 389
Change	-246 506	-286 022	-648 192

Comments on the cash flow statement

The cash flow statement shows inflows and outflows of cash and cash equivalents during the year. Nordea Eiendomskreditt'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 report includes a condensed set of financial statements and is to be read in conjunction with the audited consolidated financial statement for the year ended 31 December 2019.

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

Changed accounting policies and presentation

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

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 half year 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 half year are loans to the public and provisions for loan losses.

Critical judgement has been applied in the assessment of when loans have experienced a significant increase in credit

risk (staging) and in the application of macro scenarios when estimating the increase in expected credit losses.

When calculating allowances for individually impaired loans, judgement is exercised to estimate the value of the collateral received. Judgement is also exercised in the choice of modelling approaches covering parameters used when calculating the expected losses, such as the expected lifetime, as well as in the assessment of whether the parameters based on historical experience are relevant for estimating future losses. Besides the model-based impairments, management judgements are made to include impairments related to risks that are not captured by the impairment model. More information on impairment of loans to the public can be found in Note 5.

Critical judgements are applied when determining the fair value of financial instruments that lack quoted prices or recently observed market prices. In all of these instances, decisions are based upon professional judgement in accordance with Nordea Eiendoms kreditt’s accounting and valuation policies. More information on financial instruments held at fair value on Nordea Eiendoms kreditt’s balance sheet can be found in Note 9.

Exchange rates

	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
GBP 1 = NOK			
Income statement (average)	12,2809	11,1405	11,2403
Balance sheet (at end of period)	11,9409	10,8525	11,5975
EUR 1 = NOK			
Income statement (average)	10,7413	9,7314	9,8521
Balance sheet (at end of period)	10,8805	9,7163	9,8463

Note 2 Net interest income

NOKt	Jan-Jun	Jan-Jun	Q2	Q2	Full year
	2020	2019	2020	2019	2019
Interest income calculated using the effective interest rate method	3 154 168	1 920 846	1 300 992	1 153 836	5 448 036
Other interest income	38 553	38 488	14 666	20 400	79 642
Interest income	3 192 720	1 959 333	1 315 658	1 174 236	5 527 678
Interest income					
Loans to credit institutions	938	3 886	96	2 076	6 512
Loans to customers	3 113 588	1 914 679	1 281 106	1 146 217	5 398 698
Interest-bearing securities	38 553	38 488	14 666	20 400	79 642
Other interest income	39 642	2 280	19 790	5 542	42 826
Interest income	3 192 720	1 959 333	1 315 658	1 174 236	5 527 678
Interest expense					
Deposits by credit institutions	1 104 372	440 408	380 753	326 488	1 793 429
Debt securities in issue	1 147 859	873 383	568 394	466 840	1 942 580
Subordinated loan capital	37 473	29 819	16 789	18 056	69 644
Other interest and related expense ¹	-59 011	-119 817	-53 584	-56 421	-157 415
Interest expense	2 230 694	1 223 792	912 352	754 963	3 648 238
Net interest income	962 027	735 542	403 307	419 273	1 879 442

Interest from categories of financial instruments

NOKt	Jan-Jun	Jan-Jun	Q2	Q2	Full year
	2020	2019	2020	2019	2019
Financial assets at amortised cost	3 156 742	1 926 427	1 303 232	1 156 051	5 455 624
Financial assets at fair value through profit and loss (related to hedging instruments) ¹	-2 575	-5 582	-2 240	-2 215	-7 588
Interest income calculated using the effective interest rate method	3 154 168	1 920 846	1 300 992	1 153 836	5 448 036
Other interest income	38 553	38 488	14 666	20 400	79 642
Interest income	3 192 720	1 959 333	1 315 658	1 174 236	5 527 678
Interest expenses					
Financial liabilities at amortised cost	2 289 705	1 343 609	965 936	811 384	3 805 654
Financial liabilities at fair value through profit and loss (related to hedging instruments) ¹	-106 010	-127 626	-79 441	-60 323	-209 565
Other interest expenses	46 999	7 808	25 858	3 902	52 150
Interest expenses	2 230 694	1 223 792	912 352	754 963	3 648 238

¹ Includes net interest income from derivatives, measured at fair value and related to Nordea Eiendomskredittd'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-Jun 2020	Jan-Jun 2019	Q2 2020	Q2 2019	Year 2019
Financial instruments at FVPL - Mandatorily ¹	-20 916	-25 078	10 569	-7 343	-21 278
Financial instruments under hedge accounting	-1 142	8 768	37 458	11 512	-9 591
- of which net gains/losses on hedged items	-850 967	-18 199	-23 684	-10 050	154 902
- of which net gains/losses on hedging instruments	849 825	26 967	61 141	21 561	-164 493
Total	-22 057	-16 311	48 027	4 168	-30 869

¹ 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-Jun 2020	Jan-Jun 2019	Q2 2020	Q2 2019	Year 2019
NOKt					
Net loan losses, Stage 1	18,112	-1,214	18,451	-2,065	1,768
Net loan losses, Stage 2	75,832	2,701	84,403	-1,509	-2,904
Total loan losses, non-defaulted¹	93,944	1,487	102,853	-3,573	-1,136
Stage 3, defaulted					
Net loan losses, individually assessed, collectively calculated	14,956	1,012	14,024	-152	-2,495
Realised loan losses	3,377	4,057	1,418	2,847	7,514
Decrease of provisions to cover realised loan losses	-2,015	-2,774	-519	-2,651	-3,766
New/increase in provisions	0	1,811	0	967	1,312
Reversals of provisions	-1,457	-2,106	-1,440	-993	-3,251
Net loan losses, defaulted	14,862	2,000	13,484	19	-686
Net loan losses	108,806	3,487	116,337	-3,554	-1,823
Key ratios	Jan-Jun 2020	Jan-Jun 2019	Q2 2020	Q2 2019	Year 2019
Loan loss ratio, basis points	8.62	0.42	18.15	-0.64	-0.09
- of which stage 1	1.43	-0.15	2.88	-0.37	0.09
- of which stage 2	6.01	0.33	13.17	-0.27	-0.15
- of which stage 3	1.18	0.24	2.10	0.00	-0.03

Note 5 Loans and impairment

Loans and impairment

NOKt	30 Jun 2020	30 Jun 2019	31 Dec 2019
Loans measured at amortised cost, not impaired (Stage 1 and 2)	258 714 312	241 373 143	245 194 065
Impaired loans (Stage 3)	871 785	787 158	784 011
- of which servicing	243 284	302 357	238 464
- of which non-servicing	628 501	484 801	545 547
Loans before allowances	259 586 098	242 160 301	245 978 076
Allowances for individually assessed impaired loans (Stage 3)	-59 108	-51 643	-47 718
- of which servicing	-8 246	-9 500	-5 640
- of which non-servicing	-50 862	-42 144	-42 078
Allowances for collectively assessed impaired loans (Stage 1 and 2)	-146 161	-59 564	-55 396
Allowances	-205 269	-111 207	-103 114
Loans, carrying amount	259 380 829	242 049 094	245 874 963

Movements of allowance accounts for loans measured at amortised cost Q2 2020

NOKt	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	-15 559	-39 837	-47 718	-103 114
Changes due to origination and acquisition	-11 114	-4 642	-6 876	-22 632
Changes due to transfers from Stage 1 to Stage 2	1 448	-55 443	0	-53 995
Changes due to transfers from Stage 1 to Stage 3	49	0	-5 122	-5 073
Changes due to transfers from Stage 2 to Stage 1	-2 048	13 609	0	11 561
Changes due to transfers from Stage 2 to Stage 3	0	896	-6 146	-5 251
Changes due to transfers from Stage 3 to Stage 1	-157	0	1 598	1 441
Changes due to transfers from Stage 3 to Stage 2	0	-1 055	4 148	3 093
Changes due to changes in credit risk without stage transfer	-6 784	-34 129	-6 303	-47 216
Changes due to repayments and disposals	2 376	6 230	5 297	13 902
Write-off through decrease in allowance account	0	0	2 015	2 015
Changes due to update in the institution's methodology for estimation (net)	0	0	0	0
Balance at 30 June 2020	-31 789	-114 372	-59 108	-205 269

Movements of allowance accounts for loans measured at amortised cost Q2 2019

NOKt	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	-4 503	-14 124	-37 814	-56 441
Changes due to origination and acquisition	-160	-542	-1 232	-1 933
Changes due to transfers from Stage 1 to Stage 2	358	-7 580	0	-7 222
Changes due to transfers from Stage 1 to Stage 3	12	0	-871	-859
Changes due to transfers from Stage 2 to Stage 1	-321	3 308	0	2 987
Changes due to transfers from Stage 2 to Stage 3	0	423	-3 205	-2 781
Changes due to transfers from Stage 3 to Stage 1	-26	0	358	332
Changes due to transfers from Stage 3 to Stage 2	0	-201	1 083	882
Changes due to changes in credit risk without stage transfer	-9 259	-28 231	-13 376	-50 866
Changes due to repayments and disposals	640	640	640	1 921
Write-off through decrease in allowance account	0	0	2 774	2 774
Changes due to update in the institution's methodology for estimation (net)	0	0	0	0
Balance at 30 June 2019	-13 258	-46 306	-51 643	-111 207

Note 5 Loans and impairment cont.

Key ratios

	30 Jun 2020	30 Jun 2019	31 Dec 2019
Impairment rate, (stage 3) gross, basis points ¹⁾	33,6	32,4	31,9
Impairment rate (stage 3), net, basis points ²⁾	31,3	30,3	29,9
Total allowance rate (stage 1, 2 and 3), basis points ³⁾	7,9	4,6	4,2
Allowances in relation to credit impaired loans (stage 3), % ⁴⁾	6,8	6,6	6,1
Allowances in relation to loans in stage 1 and 2, basis points ⁵⁾	5,6	2,5	2,3

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

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

³⁾ Total allowances divided by total loans measured at amortised cost before allowances.

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

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

Forbearance

Forbearance is eased terms or restructuring due to the borrower experiencing or about to experience financial difficulties. The intention with granting forbearance for a limited time period is to ensure full repayment of the outstanding debt. Examples of eased terms are changes in amortisation profile, repayment schedule, customer margin as well as ease of financial covenants. Forbearance is undertaken on a selective and individual basis, approved according to Powers to Act and followed by impairment testing. Forborne exposures can be performing or non-performing. Loan loss provisions are recognised if necessary. Customers with forbearance measures are transferred to stage 2, unless already identified as credit impaired (stage 3).

On 13 March 2020 Nordea announced that it would offer Covid-19 payment holidays to those customers, including Norwegian mortgage customers, who are in need of help due to the Covid-19 situation. The Covid-19 payments holidays were generally granted to customers experiencing only short-term liquidity issues due solely to Covid-19.

Nordea Eiendoms kreditt AS currently does not register Covid-19 payment holidays as forbearance, and consequentially does not automatically transfer the exposures to stage 2, since customers would not have asked for payment holidays had it not been for Covid-19. As stated under "Forward looking information" below, Nordea Eiendoms kreditt AS has assessed the risk of stage transfers at the time when the government support measures are discontinued and included the impact therefrom in the cyclical reserve to the extent not already covered by the IFRS 9 models.

The carrying amount of loans where Nordea Eiendoms kreditt had granted payment holidays at the end of Q2 2020 amounted to NOK 31bn, which corresponds to 12% of the loan portfolio.

NOKt	30 Jun 2020	30 Jun 2019	31 Dec 2019
Forborne loans	829 766	747 321	783 476
-of which defaulted	89 550	9 556	81 571
Allowances for forborne loans	7 870	1 565	3 165
-of which defaulted	2 090	824	1 079

Key ratios

Forbearance ratio, basis points ⁶⁾	32	31	32
Forbearance coverage ratio, % ⁷⁾	0,9	0,2	0,4
-of which defaulted, %	2,3	8,6	1,3

⁶⁾ Forborne loans/Loans before allowances.

⁷⁾ Individual allowances/Forborne loans.

Note 5 Loans and impairment cont.

Forward looking information

Forward looking information is used both for assessing significant increases in credit risk and in the calculation of expected credit losses. Nordea Eiendoms kreditt uses three macroeconomic scenarios, a base scenario, a favourable scenario and an adverse scenario. For Q2 2020 the scenarios have been weighted into the final expected credit losses (ECL) using base 60%, adverse 20% and favourable 20%. The same weights were applied during 2019.

The macro scenarios are based on the Oxford Economics model. The forecast is a combination of modelling and expert judgement, subject to thorough checks and quality control processes. The model has been built to give a good description of the historic relationships between economic variables and to capture the key linkages between those variables.

The macro scenarios reflect Nordea's view of how the Covid-19 virus and lock-downs potentially can impact the economic outlook. The scenarios also reflect the macroeconomic effects of the government and central bank support measures. The labour market support scheme has played a significant role in supporting the Norwegian economy during the lock-down phase. The support to household incomes and cost relief to companies from the labour market scheme has been substantial. Looking forward, it is expected that the phasing out of the labour market support scheme in the second half of 2020 will start weighing on consumer confidence and could potentially lead to more business insolvencies and unemployment. This effect is expected to be most pronounced in the service industries and transportation, where Nordea data indicate that spending has not yet returned to normal. The rise in open unemployment associated with the end of the labour market scheme is likely to weigh on the housing market.

A management judgement has been recognized based on stressed simulation of the ECL (Expected Credit Loss) model reflecting the downside scenario with a sharp decline in gross domestic product (GDP) in 2020 followed by slow recoveries in 2021 and 2022.

Real GDP, %y/y	2020	2021	2022
Favourable scenario	-5.6	5.1	4.0
Baseline scenario	-6.2	4.0	4.8
Adverse scenario	-7.3	4.3	1.2

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.

Fair value through profit or loss (FVPL)

30 Jun 2020, NOKt	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial assets	Total
Assets					
Loans to credit institutions	20 883				20 883,0
Loans to the public	259 380 829				259 380 829,0
Interest-bearing securities		5 195 568			5 195 568,0
Derivatives		643	1 571 378		1 572 021
Fair value changes of the hedged items in portfolio hedge of interest rate risk	52 961				52 960,6
Equipment owned and RoU				228	227,8
Deferred tax assets				2 157	2 157,0
Prepaid expenses and accrued income	241 453			1 597	243 050,0
Total 30 June 2020	259 696 126	5 196 211	1 571 378	3 982	266 467 696

Fair value through profit or loss (FVPL)

30 Jun 2020, NOKt	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions	107 388 102				107 388 102
Debt securities in issue	135 986 609				135 986 609
Derivatives		21 156	25 300		46 456
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1 175 257				1 175 257
Current tax liabilities				436 714	436 714
Other liabilities	1 983			26 491	28 474
Accrued expenses and prepaid income	1 553			52 420	53 973
Provisions				4 816	4 816
Retirement benefit obligations				31 842	31 842
Subordinated loan capital	2 301 480				2 301 480
Total 30 June 2020	246 854 984	21 156	25 300	552 283	247 453 723

Note 7 Derivatives and hedge accounting

30 Jun 2020, NOKt	Fair value		Total nominal amount
	Positive	Negative	
Derivatives at FVPL - Mandatorily ¹:			
Interest rate swaps	643	21 156	24 000 000
Total	643	21 156	24 000 000
Derivatives used for hedge accounting:			
Interest rate swaps	1 011 695,00	25 300	22 525 000
Currency interest rate swaps	559 683,00	0	4 340 730
Total	1 571 378,00	25 300	26 865 730
- of which fair value hedges	1 011 695	25 300	22 525 000
- of which cash flow hedges	559 683	0	4 340 730
Total derivatives	1 572 021	46 456	50 865 730

31 Dec 2019, NOKt	Fair value		Total nominal amount
	Positive	Negative	
Derivatives at FVPL - Mandorily ¹:			
Interest rate swaps	0	60 479	32 000 000
Total	0	60 479	32 000 000
Derivatives used for hedge accounting:			
Interest rate swaps	550 459	34 207	21 853 000
Currency interest rate swaps	266 466	76 522	5 866 256
Total	816 925	110 729	27 719 256
- of which fair value hedges	550 459	34 207	21 853 000
- of which cash flow hedges	266 466	76 522	5 866 256
Total derivatives	816 925	171 207	59 719 256

30 June 2019, NOKt	Fair value		Total nominal amount
	Positive	Negative	
Derivatives at FVPL - Mandorily ¹:			
Interest rate swaps	0	55 069	34 000 000
Total	0	55 069	34 000 000
Derivatives used for hedge accounting:			
Interest rate swaps	456 775	115 723	18 606 000
Currency interest rate swaps	55 016	206 514	5 866 256
Total	511 791	322 237	24 472 256
- of which fair value hedges	456 775	115 723	18 606 000
- of which cash flow hedges	55 016	206 514	5 866 256
Total derivatives	511 791	377 306	58 472 256

¹ 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	30 Jun 2020		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	259 454 673	259 632 770	246 147 445	245 793 916
Interest-bearing securities	5 195 568	5 195 568	5 246 838	5 246 838
Derivatives	1 572 021	1 572 021	816 925	816 925
Prepaid expenses and accrued income	241 453	241 453	352 524	352 524
Total financial assets	266 463 715	266 641 812	252 563 732	252 210 203
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Deposits and debt instruments	246 851 448	247 548 057	232 696 220	233 464 348
Derivatives	46 456	46 456	171 207	171 207
Accrued expenses and prepaid income	1 553	1 553	2 236	2 236
Total financial liabilities	246 899 457	247 596 066	232 869 663	233 637 791

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

30 Jun 2020, NOKt	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
	Financial assets¹			
Interest-bearing securities		5 195 568		5 195 568
Derivatives		1 406 068	165 953	1 572 021
Total assets	0	6 601 636	165 953	6 767 589

Financial liabilities¹				
Derivatives		46 456		46 456
Total liabilities	0	46 456	0	46 456

31 Dec 2019, NOKt	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
	Financial assets¹			
Interest-bearing securities		5 246 838		5 246 838
Derivatives		816 925		816 925
Total assets	0	6 063 763	0	6 063 763
Financial liabilities¹				
Derivatives		171 207		171 207
Total liabilities	0	171 207	0	171 207

¹ 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 2019, Note 18 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 so far this year. When transfers between levels occur, these are considered to have occurred at the end of the reporting period.

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

Movements in Level 3

30 Jun 2020, NOKt	1 Jan 2020	Fair value gains/losses recognised in the income statement during the year		Purchases/Issues	Sales	Settlements	Transfers into Level 3	Transfers out Level 3	Reclassification	Translation differences	30 Jun 2020
		Realised	Unrealised								
Derivatives (net)	0						165 953				165 953

Unrealised gains and losses relates to those assets and liabilities held at the end of the reporting period. During the period Nordea Eiendomskreditt AS had transfers from level 2 to level 3 of the fair value hierarchy. The reason for the transfer into level 3, was that observable market data was no longer available for maturities longer than 20 years. Fair value gains and losses in the income statement during the year are included in Net result from items at fair value, see Note 3 "Net result from items at fair value".

Valuation techniques and inputs used in the fair value measurements in Level 3

30 Jun 2020, NOKt	Fair value	Valuation techniques	Unobservable input
Derivatives			
Interest rate derivatives	165 953	Option model	Correlation, volatilities
Total	165 953		

The tables above shows, for each class of assets and liabilities categorised in level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and for financial assets and liabilities the fair value sensitivity to changes in key assumptions.

Fair value of assets and liabilities in level 3 are estimated using valuation techniques based on assumptions that are not supported by market observable prices or rates. There may be uncertainty about a valuation, resulting from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a result of other elements affecting the valuation technique. For financial instruments portfolio adjustments are applied to reflect such uncertainties and are deducted from the fair values produced by the models or other valuation techniques (for further information see the Annual report 2019, Note 1 section 10 "Determination of fair value of financial instruments").

Note 10 Cover Pool

NOKt	30 Jun 2020		30 Jun 2019		31 Dec 2019	
	Nominal value	Net Present Value	Nominal value	Net Present Value	Nominal value	Net Present Value
Loans to the public	259,586,095	259,764,192	242,160,301	238,342,212	245,978,073	245,624,544
- whereof pool of eligible loans	170,051,023	170,167,691	158,916,179	156,410,583	166,219,860	165,980,963
Supplementary assets and derivatives:						
- whereof CIRS	472,865	586,646	-152,084	-101,697	168,125	213,629
- whereof IRS	0	1,183,241	0	620,751	0	738,171
Total cover pool	170,523,888	171,937,578	158,764,095	156,929,637	166,387,985	166,932,763
Debt securities in issue (net outstanding amount)	135,736,595	137,249,609	93,726,172	93,421,594	97,504,719	98,490,764
Over-collateralization calculated on net outstanding covered bonds	25.6 %	25.3 %	69.4 %	68.0 %	70.6 %	69.5 %
Debt securities in issue (issue amount)	135,736,595	137,249,609	93,726,172	93,421,594	97,504,719	98,490,764
Over-collateralization calculated on issued covered bonds (gross outstanding covered bonds) ¹	25.6 %	25.3 %	69.4 %	68.0 %	70.6 %	69.5 %

¹without 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	30 Jun 2020			31 Dec 2019		
	Nominal value	Other ¹	Carrying amount	Nominal value	Other ¹	Carrying amount
Covered bonds issued in Norwegian kroner	130 923 000			91 452 000		
Holdings of own covered bonds in Norwegian kroner	0			0		
Outstanding covered bonds issued in Norwegian kroner	130 923 000			91 452 000		
Covered bonds issued in GBP (in NOK)	3 725 545			5 068 094		
Covered bonds issued in EUR (in NOK)	1 088 050			984 625		
Total outstanding covered bonds	135 736 595	250 014	135 986 609	97 504 719	618 947	98 123 667
Loans and deposits from financial institutions for a fixed term	107 120 951	126 410	107 247 361	131 589 951	378 470	131 968 421
Subordinated loan	2 300 000	1 480	2 301 480	2 300 000	2 654	2 302 654
Total	245 157 546	377 904	245 535 451	231 394 670	1 000 071	232 394 742

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

Maturity information

Maximum 1 year	58 836 301		45 174 334
More than 1 year	186 321 246		186 220 336
Total	245 157 546		231 394 670

Norwegian covered bonds (NOKt) at 30 Jun 2020

ISIN code	Issue date	Final payment date	Interest	Interest rate in %	Currency	Outstanding 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
NO0010729817	26.01.2015	16.06.2021	Float	3M Nibor + 0.20%	NOK	9 275 000
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	19 050 000
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	17 550 000
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	18 700 000
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	9 900 000
NO0010878374	03.04.2020	15.12.2021	Float	3M Nibor + 0.20%	NOK	36 000 000
Total						130 923 000

Covered bonds issued in foreign currency at 30 Jun 2020

ISIN code	Issue date	Final payment date	Interest	Interest rate in %	Currency	Outstanding nominal amount
XS1487838291	09.09.2016	09.09.2021	Float	3M GBP Libor + 0.42%	GBP	12 000
XS1837099339	18.06.2018	18.06.2023	Float	3M GBP Libor + 0.33%	GBP	300 000
XS1451306036	19.07.2016	15.07.2031	Fixed	0,738	EUR	100 000
Total (in NOKt equivalent)						4 813 595

Note 12 Capital adequacy

Summary of items included in own funds

	30 Jun 2020	31 Dec ¹ 2019	30 Jun 2019
NOKm			
Equity in the consolidated situation	18 686	19 164	18 554
Proposed/actual dividend		-485	
Common Equity Tier 1 capital before regulatory adjustments	18 686	18 679	18 554
Deferred tax assets			
Intangible assets			
IRB provisions shortfall (-)	-215	-269	-250
Pension assets in excess of related liabilities			
Other items, net	39	52	43
Total regulatory adjustments to Common Equity Tier 1 capital	-176	-217	-207
Common Equity Tier 1 capital (net after deduction)	18 510	18 462	18 347
Additional Tier 1 capital before regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital			
Additional Tier 1 capital			
Tier 1 capital (net after deduction)	18 510	18 462	18 347
Tier 2 capital before regulatory adjustments	2 300	2 300	2 300
IRB provisions excess (+)	40	27	34
Deductions for investments in insurance companies			
Other items, net			
Total regulatory adjustments to Tier 2 capital	40,069	27	34
Tier 2 capital	2 340,069	2 327	2 334
Own funds (net after deduction)²	20 850	20 789	20 681

¹ Including profit for the period

² Own Funds adjusted for IRB provision, i.e. adjusted own funds equal 21,025m by 30 Jun 2020

Own Funds, including profit

	30 Jun 2020	31 Dec 2019	30 Jun 2019
NOKm			
Common Equity Tier 1 capital, including profit	18 676	18 462	18 487
Total Own Funds, including profit	21 016	20 789	20 821

Note 12 Capital adequacy cont.

Minimum capital requirement and REA

	30 Jun 2020	30 Jun 2020	31 Dec 2019	31 Dec 2019	30 Jun 2019	30 Jun 2019
	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
NOKm						
Credit risk	4 776	59 704	4 471	55 883	4 301	53 768
- of which counterparty credit risk	30	373	16	198	6	78
IRB	4 746	59 321	4 451	55 632	4 283	53 538
- sovereign						
- corporate						
- advanced						
- foundation						
- institutions	14	180	14	180	14	168
- retail	4 728	59 096	4 435	55 432	4 269	53 367
- secured by immovable property collateral	3 925	49 059	3 743	46 779	3 596	44 952
- other retail	803	10 037	692	8 653	673	8 415
- other	4	45	2	20	0	3
Standardised	30	383	20	251	18	230
- central governments or central banks	0	5				
- regional governments or local authorities						
- public sector entities						
- multilateral development banks						
- international organisations						
- institutions	30	378	20	251	18	230
- 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						
Operational risk	195	2 434	169	2 116	169	2 116
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	2	23	2	24	2	22
Additional risk exposure amount due to Article 3 CRR						
Sub total	4 973	62 161	4 642	58 023	4 472	55 906
Adjustment for Basel I floor¹						
Additional capital requirement according to Basel I floor					4 666	58 314
Total	4 973	62 161	4 642	58 023	9 138	114 220

¹ 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					Total
		CCoB	CCyB	O-SII	SRB	Capital Buffers total	
Common Equity Tier 1 capital	4.5	2.5	1.0		3.0	6.5	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
NOKm							
Common Equity Tier 1 capital	2,797	1,554	620		1,865	4,039	6,836
Tier 1 capital	3,730	1,554	620		1,865	4,039	7,769
Own funds	4,973	1,554	620		1,865	4,039	9,012

Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	30 Jun 2020	31 Dec ¹ 2019	30 Jun ² 2019
Common Equity Tier 1 capital	23.8	25.8	10.1

¹ Including profit of the period

² Including Basel I floor

Capital ratios

Percentage	30 Jun 2020	31 Dec 2019	30 Jun 2019
Common Equity Tier 1 capital ratio, including profit	30.0	31.8	33.1
Tier 1 capital ratio, including profit	30.0	31.8	33.1
Total capital ratio, including profit	33.8	35.8	37.2
Common Equity Tier 1 capital ratio, excluding profit	29.8	31.0	32.8
Tier 1 capital ratio, excluding profit	29.8	31.0	32.8
Total capital ratio, excluding profit	33.5	35.0	37.0

Capital ratios including Basel I floor¹

Percentage	30 Jun 2020	31 Dec 2019	30 Jun 2019
Common Equity Tier 1 capital ratio, including profit	30.0	31.8	16.2
Tier 1 capital ratio, including profit	30.0	31.8	16.2
Total capital ratio, including profit	33.8	35.8	18.2
Common Equity Tier 1 capital ratio, excluding profit	29.8	31.0	16.1
Tier 1 capital ratio, excluding profit	29.8	31.0	16.1
Total capital ratio, excluding profit	33.5	35.0	18.1

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

Leverage ratio

	30 Jun 2020	31 Dec ¹ 2019	30 Jun 2019
Tier 1 capital, transitional definition, NOKm	18,510	18,462	18,347
Leverage ratio exposure, NOKm	278,824	263,381	261,819
Leverage ratio, percentage	6.6	7.0	7.0

¹ 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 ¹	of which EAD for off-balance, NOKm	Exposure-weighted average risk weight:
Institutions, foundation IRB:	3 232		3 232		6
<i>of which</i>					
- rating grades 6	3 232		3 232		6
- rating grades 5					
- rating grades 4					
- rating grades 3					
- rating grades 2					
- rating grades 1					
- unrated					
- defaulted					
Retail, of which secured by real estate:	222 134	5 768	224 095	1 961	22
<i>of which</i>					
- scoring grades A	172 797	4 911	174 467	1 670	21
- scoring grades B	31 435	490	31 601	167	21
- scoring grades C	13 141	287	13 239	97	24
- scoring grades D	4 123	66	4 146	22	39
- scoring grades E					
- scoring grades F					
- not scored					
- defaulted	638	14	642	5	241
Retail, of which other retail:	37 650	18 649	43 989	6 342	23
<i>of which</i>					
- scoring grades A	14 936	15 964	20 363	5 428	7
- scoring grades B	3 499	1 278	3 934	434	15
- scoring grades C	1 595	549	1 781	187	26
- scoring grades D	10 013	598	10 216	203	37
- scoring grades E	5 232	155	5 283	53	39
- scoring grades F	1 386	14	1 391	5	57
- not scored	857	87	887	30	64
- defaulted	132	4	134	2	289
Other non credit-obligation assets:	45		45		100

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

¹ Includes EAD for on-balance, off-balance, derivatives and securities financing

Note 13 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.

There are significant risks caused by the Covid-19 outbreak given the uncertainty of the long-term economic impact on the Norwegian mortgage market. Possibly extended or reintroduced lock-downs potentially for a considerable period of time, as well as discontinued government support measures including labour market schemes, could cause further significant downside risks. The effect of these

developments on Nordea Eiendoms kreditt's financial performance is expected to materialize into higher future loan losses. To cover these projected loan losses, model based provisions of NOK 117m, based on a weighted set of scenarios, have been booked in Q2-2020.

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 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 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 provides unsecured funding to Nordea Eiendoms kreditt, and at the end of the second quarter 2020 such borrowings amounted to NOK 107 billion. Nordea Bank Abp has provided subordinated loans of NOK 2.3 billion at the end of the second quarter.

In April Nordea Eiendoms kreditt issued covered bonds with a nominal value of NOK 36 billion that was purchased by Nordea Bank Abp, filial i Norge, and can be used as collateral for F-Loans in the Norwegian central bank. In addition, Nordea Bank Abp had a holding

of covered bonds issued by Nordea Eiendoms kreditt of NOK 380 million at the end of the second quarter of 2020.

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 394 million in the first half year of 2020.

Nordea Eiendoms kreditt also buys services related to funding and risk control, accounting and reporting, HR and IT services from other Nordea companies according to agreements entered into. For these services Nordea Eiendoms kreditt has paid NOK 13 million in the first half year of 2020. All group internal transactions are settled according to market-based principles on conformity with OECD requirements on transfer pricing.

Statement by the Chief Executive Officer and the Board of Directors

Pursuant to Section 5-6 of the Securities Trading Act

The Chief Executive Officer and the Board of Directors confirms that to the best of their knowledge the interim report for the six months to 30 June 2020 has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU, and gives a true and fair view of the company's assets and liabilities, its financial position and results.

The Chief Executive Officer and the Board of Directors also consider that to the best of their knowledge the interim report for the first six month to 30 June 2020 gives a true and fair:


- overview of important events that have occurred during the accounting period and their impact on the half yearly financial statements
- description of the most relevant risk factors the company faces over the next accounting period
- description of the most significant transactions with related parties.

Oslo, 17 July 2020

The Board of Nordea Eiendomskreditt AS



Marte Kopperstad
Chair



Randi Marjamaa
Vice Chair



Ola Littorin
Board member



Alex Madsen
Board member



Gro Elisabeth Lundevik
Board member



Anne Sofie Knoph
Employee representative



Børre S. Gundersen
Chief Executive Officer

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