

Nordea

Interim Report 3rd 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-Sep 2020	Jan-Sep 2019	Year 2019
Net interest income	1,680	1,320	1,879
Net result from items at fair value	-31	-39	-31
Other operating income	57	45	66
Total operating income	1,706	1,327	1,914
Staff costs	17	14	19
Other expenses	637	414	604
Total operating expenses	654	428	623
Loan losses (negative figures are reversals)	107	-12	-2
Operating profit	944	911	1,293
Income tax expense	236	228	323
Net profit for the period	708	683	970

Summary of the balance sheet (NOKm)

	30 Sep 2020	30 Sep 2019	31 Dec 2019
Loans to the public, gross	263,681	243,866	245,978
Allowance for loan losses	-202	-95	-103
Other assets	11,111	6,575	6,689
Debt securities in issue	143,270	99,333	98,124
Other liabilities	111,923	131,775	135,276
Equity	19,397	19,238	19,164
Total assets	274,590	250,346	252,564
Average total assets	262,596	191,749	205,635

Ratios and key figures

	30 Sep 2020	30 Sep 2019	31 Dec 2019
Basic/diluted Earnings per share (EPS), annualised basis, NOK	61.6	59.4	63.2
Equity per share ¹ , NOK	1,264.8	1,254.4	1,249.6
Shares outstanding ¹ , million	15.3	15.3	15.3
Post-tax return on average equity	4.9 %	5.3 %	5.5 %
Cost/income ratio	38.4 %	32.2 %	32.6 %
Loan loss ratio, annualised, basis points	5.6	-0.9	-0.1
Common Equity Tier 1 capital ratio, excl. Basel I floor ^{1,2}	29.4 %	31.9 %	31.8 %
Tier 1 capital ratio, excl. Basel I floor ^{1,2}	29.4 %	31.9 %	31.8 %
Total capital ratio, excl. Basel I floor ^{1,2}	33.1 %	36.0 %	35.8 %
Common Equity Tier 1 capital ratio, incl. Basel I floor ^{1,2,3}	29.4 %	16.4 %	31.8 %
Tier 1 capital ratio, incl. Basel I floor ^{1,2,3}	29.4 %	16.4 %	31.8 %
Total capital ratio, incl. Basel I floor ^{1,2,3}	33.1 %	18.4 %	35.8 %
Own funds, NOKm ^{1,2}	20,915	20,656	20,789
Risk Exposure Amount incl. Basel I floor ¹ , NOKm	63,164	112,102	58,023
Number of employees (Full-time equivalents) ¹	17.5	16.5	16.5

¹ At the end of the period.

² Excluding the year to date profit for interim figures.

³ The Basel I-floor is no longer applicable from Q4.2019 due to CRR implementation for the Norwegian entities

Board of Directors' Report

Introduction

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

Nordea Eiendoms kreditt is a wholly owned subsidiary of Nordea Bank Abp, located in Oslo. The company's business objective is to grant and acquire residential mortgage loans including holiday homes and to finance its lending activities mainly by issuing of covered bonds. The loan portfolio amounts to NOK 264 billion at 30 September 2020. The mortgage loans are originated directly from own balance sheet or bought from the parent bank. Nordea Eiendoms kreditt is part of the Personal Banking Business Area in Nordea.

Over the past few quarters we have witnessed how individuals, businesses and societies have adapted to a new way of living due to the COVID-19 pandemic. We have seen a gradual recovery, but have also faced some setbacks and uncertainty remains. Thanks to dedicated employees, strong balance sheet, strong capital and liquidity position and high quality digital services, we have been able to support our customers and will continue to do so.

The credit quality of our loan book remains strong with currently no signs of negative development in the loan portfolio or increased default. Given the current economic uncertainty, loan loss allowances remains at the same level as previous quarter and is deemed sufficient to cover for expected future loan losses, IFRS 9 model improvements and ECB's new guidance on non-performing loans.

Income Statement

Profit before loan losses

Operating profit in the first three quarters of 2020 was NOK 944 million (NOK 911 million). The profit reported is equivalent to a post-tax return on average equity of 4.9% (5.3%) on an annualised basis.

Net interest income in the first three quarters showed an increase of 27% compared to the same period last year and amounted to NOK 1 680 million (NOK 1 320 million). The increase is mainly explained by a higher loan portfolio compared to last year. In the second quarter we saw a significant reduction of the lending margin. This was due to a COVID-19 related reduction in market rates, but with delayed effect on funding cost due to the 3 months' interest fixing intervals. In the third quarter the lending margin has increased and is now higher than before the COVID-19 outbreak.

Total operating expenses in the first three quarters amounted to NOK 654 million (NOK 428 million). NOK 17 million (NOK 14 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 three quarters of 2020 was NOK 108 million (reversal of NOK 12 million). Total loan loss allowances have increased from NOK 103 million at the beginning of the year, to NOK 202 million at 30 September 2020, with the increase mainly related to model based loan loss provisions in Stage 1 and 2 booked in the second quarter. NOK 121 million hereof was booked as management judgement provisions and these remain unchanged in the third quarter. Realised loan losses were NOK 5 million. See note 4 and note 5 for further information about loan losses and impairment.

The management judgement provision means that we have a buffer of NOK 121 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

While the overall loss level in 2020 has increased from pre COVID-19 levels, the underlying net loan losses in Nordea Eiendoms kreditt are low, reflecting a strong underlying credit portfolio. No 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 maintain the additional management judgements recognised in Q2-2020, consisting of a cyclical element of NOK 99.3 million to account for expected loan losses following future expected rating downgrades not yet captured by the IFRS 9 collective provisioning models, and a structural element of NOK 21.7 million 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 29.4%, excluding profit at the end of the third 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 0.4 percentage points to 33.1%, excluding profit.

Risk Exposure Amount (REA) was NOK 63.2 billion, an increase of NOK 1.0 billion, 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 20.9 billion at the end of the third quarter. The Tier 1 capital and the Common Equity Tier 1 capital were NOK 18.6 billion (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 nine months of 2020 Nordea Eiendoms kreditt issued covered bonds amounting to NOK 57.9 billion in the Norwegian domestic market under its NOK 150bn domestic covered bond programme. As of 30 September 2020, Nordea Eiendoms kreditt had outstanding covered bonds totalling NOK 137.6 billion in the Norwegian market, GBP 0.3 billion in the British market and EUR 0.1 billion in the European market. NOK 36 billion of the issued covered bonds, is retained in the parent bank, and has been 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.

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 third quarter of 2020 such borrowings amounted to NOK 108 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 732% at the end of the third quarter of 2020.

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

Loans to the public amounted to NOK 264 billion at the end of the third quarter 2020 (NOK 244 billion), and comprise only of residential mortgage loans, loans secured by mortgages over holiday homes and construction loans for residential properties and holiday homes.

NOK 178 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 24.9% in relation to gross issued covered bonds.

The carrying amount of loans where Nordea Eiendoms kreditt had granted instalment-free periods at the end of the third quarter 2020 was NOK 30 billion, which corresponds to 11% of the loan portfolio. The main part is granted as support to our customers during the COVID-19 pandemic.

Total assets amounted to NOK 275 billion at 30 September 2020 (NOK 250 billion).

Impaired loans

At the end of the third quarter 2020 impaired loans amounted to NOK 912 million which corresponds to 0.35% of the total loan portfolio. Allowances of NOK 58 million have been made, and net impaired loans were NOK 854 million at 30 September 2020 compared to NOK 754 million at 30 September 2019.

Interest rate and currency hedging

The company uses interest rate and currency swaps to hedge interest rate and currency risk. At the end of the third quarter 2020, the company was party to interest rate swaps with a nominal value of NOK 46.7 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.

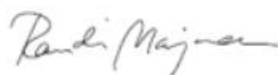
In order to eliminate the foreign exchange risk, the company has entered into currency swaps of the same amounts as covered bonds issued in foreign currencies. Counterparties to all derivative contracts are within the Nordea group.

Nordea Eiendoms kreditt AS

Oslo, 13 November 2020



Marte Kopperstad
Chair



Randi Marjamaa
Vice Chair



Ola Littorin
Board member



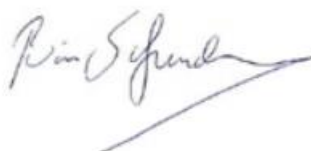
Alex Madsen
Board member



Gro Elisabeth Lundevik
Board member



Anne Sofie Knoph
Employee representative



Børre S. Gundersen
Chief Executive Officer

Income statement

NOKt	Note	Jan-Sep 2020	Jan-Sep 2019	Q3 2020	Q3 2019	Year 2019
Operating income						
Interest income calculated using the effective interest rate method		4,331,325	3,624,831	1,177,158	1,703,985	5,448,036
Other interest income		45,679	58,344	7,127	19,856	79,642
Interest expense		2,697,029	2,362,684	466,335	1,138,892	3,648,239
Net interest income	2	1,679,976	1,320,491	717,950	584,949	1,879,439
Fee and commission income		70,815	57,395	23,785	25,179	81,572
Fee and commission expense		14,292	11,943	8,317	5,294	16,003
Net fee and commission income		56,524	45,453	15,468	19,885	65,569
Net result from items at fair value	3	-30,684	-38,664	-8,627	-22,512	-30,869
Other operating income		410	156	145	156	301
Total operating income		1,706,225	1,327,435	724,935	582,478	1,914,439
Staff costs		17,194	14,015	5,973	5,415	19,440
Other operating expenses		637,191	414,077	213,795	203,682	603,650
Depr/amortisation and impairment charges		55	0	18	0	73
Total operating expenses		654,441	428,092	219,786	209,097	623,163
Profit before loan losses		1,051,784	899,343	505,149	373,381	1,291,279
Loan losses	4	107,391	-11,933	-1,415	-15,578	-1,823
Operating profit		944,394	911,276	506,564	388,959	1,293,102
Income tax expense		236,166	227,819	126,709	97,240	323,273
Net profit for the period		708,228	683,457	379,856	291,719	969,829
Attributable to:						
Shareholder of Nordea Eiendoms kreditt AS		708,228	683,457	379,856	291,719	969,829
Total		708,228	683,457	379,856	291,719	969,829

Statement of comprehensive income

NOKt	Jan-Sep 2020	Jan-Sep 2019	Q3 2020	Q3 2019	Year 2019
Net profit for the period	708,228	683,457	379,856	291,719	969,829
Items that may be reclassified subsequently to the income statement					
Cash flow hedges:					
Valuation gains/losses during the period	20,155	29,424	3,641	13,074	28,890
Tax on valuation gains/losses during the period	-5,039	-7,396	-910	-3,268	-7,262
Items that may not be reclassified subsequently to the income statement					
Defined benefit plans:					
Remeasurement of defined benefit plans	-8,357	-6,482	222	-3,684	-8,443
Tax on remeasurement of defined benefit plans	2,089	1,616	-55	921	2,106
Other comprehensive income, net of tax	8,849	17,162	2,897	7,043	15,292
Total comprehensive income	717,077	700,619	382,753	298,762	985,121
Attributable to:					
Shareholders of Nordea Eiendoms kreditt AS	717,077	700,619	382,753	298,762	985,121
Total	717,077	700,619	382,753	298,762	985,121

Balance sheet

NOKt	Note	30 Sep 2020	30 Sep 2019	31 Dec 2019
Assets				
Loans to credit institutions		3,873,685	227,229	267,389
Loans to the public	5	263,478,827	243,770,959	245,874,963
Interest-bearing securities		5,187,502	5,246,768	5,246,838
Derivatives	7	1,750,303	776,495	816,925
Fair value changes of the hedged items in portfolio hedge of interest rate risk		51,241	10,151	5,093
Property and Equipment owned and RoU		209	0	265
Other assets		12	100	23
Accrued income and prepaid expenses		248,070	314,727	352,524
Total assets	6	274,589,850	250,346,429	252,564,019
Liabilities				
Deposits by credit institutions		107,927,043	128,303,244	131,968,421
Debt securities in issue		143,270,225	99,333,369	98,123,667
Derivatives	7	14,520	226,267	171,207
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,107,214	572,944	301,478
Current tax liabilities		408,425	176,160	309,145
Other liabilities		13,398	14,227	9,257
Accrued expenses and prepaid income		74,515	42,632	61,336
Deferred tax liabilities		39,757	114,550	128,020
Provisions		4,623	1,140	1,543
Retirement benefit obligations		31,808	21,469	22,889
Subordinated loan capital		2,301,504	2,302,327	2,302,654
Total liabilities		255,193,034	231,108,330	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		-61,566	-68,544	-70,414
Retained earnings		8,216,527	8,089,559	8,701,190
Net profit for the period		708,228	683,457	
Total equity		19,396,816	19,238,099	19,164,403
Total liabilities and equity		274,589,850	250,346,429	252,564,019
Assets pledged as security for own liabilities		177,899,500	163,812,788	166,219,860
Contingent liabilities		183	362	183
Commitments		24,481,553	21,366,700	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			15,116	-6,268	708,228	717,077
Contribution and distribution						
Share Based Payment Programme EIP					236	236
Dividend paid					-484,900	-484,900
Increase of share capital						0
Closing balance at 30 Sep 2020	1,717,662	8,815,965	-44,239	-17,326	8,924,754	19,396,816

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			22,028	-4,866	683,457	700,619
Capital contribution ²						280
Increase of share capital	15,336	5,084,664				5,100,000
Closing balance at 30 Sep 2019	1,717,662	8,815,965	-58,956	-9,588	8,772,736	19,238,099

¹ The company's share capital at 30 Sep 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 Eiendoms kreditt AS Oslo, 13 November 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-Sep 2020	Jan-Sep 2019	Year 2019
Operating activities			
Operating profit before tax	944,394	911,276	1,293,102
Adjustments for items not included in cash flow	101,980	-6,049	-8,837
Income taxes paid	-228,099	-279,723	-228,098
Cash flow from operating activities before changes in operating assets and liabilities	818,275	625,504	1,056,167
Changes in operating assets			
Change in loans to the public	-17,702,765	-131,933,567	-134,001,237
Change in interest-bearing securities	59,336	1,305,871	1,407,193
Change in derivatives, net	-1,090,065	-904,934	-1,071,366
Change in other assets	58,373	95	-212,743
Changes in operating liabilities			
Change in deposits by credit institutions	-24,041,378	107,272,302	110,937,479
Change in debt securities in issue	45,146,558	16,769,148	15,559,446
Change in other liabilities	843,775	-24,993	-167,762
Cash flow from operating activities	4,092,109	-6,890,574	-6,492,823
Financing activities			
Change in subordinated loan capital	-1,150	1,102,221	1,102,548
Group contribution paid	-484,900	0	0
Dividend paid	0	0	-358,260
Share Based Payment Programme EIP	237	0	343
Increase in share capital and share premium	0	5,100,000	5,100,000
Cash flow from financing activities	-485,813	6,202,221	5,844,631
Cash flow for the year	3,606,296	-688,352	-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	3,873,685	227,229	267,389
Change	3,606,296	-688,352	-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 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 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

Interest rate benchmark reform - Phase 2

The IASB has published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in “Interest Rate Benchmark Reform – Phase 2”. Phase 2 of the IBOR reform includes three major areas, hedge accounting, modifications and disclosures.

The amendment clarifies that hedge accounting does not have to be discontinued just because hedged items and hedging instruments are modified due to the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Any valuation adjustments resulting from the amendments are recognised as part of hedge ineffectiveness.

It is clarified that modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis are not accounted for as modifications for instruments measured at amortised cost. For such modifications, the effective interest rate is amended in line with the modified cash flows.

The amendment is effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted. Nordea Eiendoms kreditt does not expect to early adopt.

The amendment is expected to result in that hedge relationships in Nordea Eiendoms kreditt can continue as before and that no material modification gains or losses will be recognised. For this reason the amendment is 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 of the amendments in comparison with the current situation.

Other amendments to IFRS

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

Critical judgements and estimation uncertainty

Nordea Eiendoms kreditt has applied significant critical judgements in the preparation of the interim report for the first three quarters 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 three quarters 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 the impairment testing 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-Sep 2020	Jan-Sep 2019	Full year 2019
GBP 1 = NOK			
Income statement (average)	12.1187	11.0688	11.2403
Balance sheet (at end of period)	12.1643	11.1755	11.5975
EUR 1 = NOK			
Income statement (average)	10.7196	9.7720	9.8521
Balance sheet (at end of period)	11.0665	9.8937	9.8463

Note 2 Net interest income

	Jan-Sep 2020	Jan-Sep 2019	Q3 2020	Q3 2019	Full year 2019
NOKt					
Interest income calculated using the effective interest rate method	4,331,325	3,624,829	1,177,158	1,703,983	5,448,036
Other interest income	45,679	58,344	7,127	19,856	79,642
Interest income	4,377,005	3,683,173	1,184,285	1,723,840	5,527,678
Interest income					
Loans to credit institutions	1,417	5,105	478	1,219	6,512
Loans to customers	4,273,334	3,598,533	1,159,746	1,683,854	5,398,698
Interest-bearing securities	45,679	58,344	7,127	19,856	79,642
Other interest income	56,575	21,191	16,933	18,910	42,826
Interest income	4,377,005	3,683,173	1,184,285	1,723,840	5,527,678
Interest expense					
Deposits by credit institutions	1,307,573	1,080,975	203,200	640,567	1,793,429
Debt securities in issue	1,495,604	1,405,376	347,745	531,993	1,942,580
Subordinated loan capital	49,744	49,065	12,271	19,246	69,644
Other interest and related expense ¹	-155,892	-172,731	-96,881	-52,914	-157,415
Interest expense	2,697,029	2,362,684	466,335	1,138,892	3,648,238
Net interest income	1,679,976	1,320,489	717,951	584,949	1,879,443

Interest from categories of financial instruments

	Jan-Sep 2020	Jan-Sep 2019	Q3 2020	Q3 2019	Full year 2019
NOKt					
Financial assets at amortised cost	4,339,718	3,631,830	1,182,975	1,705,403	5,455,624
Financial assets at fair value through profit and loss (related to hedging instruments) ¹	-8,392	-7,001	-5,817	-1,419	-7,588
Interest income calculated using the effective interest rate method	4,331,325	3,624,829	1,177,158	1,703,983	5,448,036
Other interest income	45,679	58,344	7,127	19,856	79,642
Interest income	4,377,005	3,683,173	1,184,285	1,723,840	5,527,678
Financial liabilities at amortised cost	2,852,921	2,535,415	563,216	1,191,806	3,805,654
Financial liabilities at fair value through profit and loss (related to hedging instruments) ¹	-225,529	-184,443	-119,519	-56,818	-209,565
Other interest expenses	69,637	11,712	22,638	3,904	52,150
Interest expenses	2,697,029	2,362,684	466,335	1,138,892	3,648,238

¹ 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

	Jan-Sep 2020	Jan-Sep 2019	Q3 2020	Q3 2019	Year 2019
NOKt					
Financial instruments at FVPL - Mandatorily ¹	-16,595	-29,182	4,320	-4,262	-21,278
Financial instruments under hedge accounting	-14,089	-9,482	-12,947	-18,250	-9,591
- of which net gains/losses on hedged items	-794,708	-105,951	56,259	-87,751	154,902
- of which net gains/losses on hedging instruments	780,619	96,468	-69,206	69,501	-164,493
Total	-30,684	-38,664	-8,627	-22,513	-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-Sep 2020	Jan-Sep 2019	Q3 2020	Q3 2019	Year 2019
NOKt					
Net loan losses, Stage 1	24,605	-605	6,493	450	1,768
Net loan losses, Stage 2	67,383	-2,411	-8,449	-5,113	-2,904
Total loan losses, non-defaulted¹	91,988	-3,016	-1,956	-4,662	-1,136
Stage 3, defaulted					
Net loan losses, individually assessed, collectively calculated	15,425	-10,656	467	-11,673	-2,495
Realised loan losses	5,409	5,763	2,033	1,711	7,514
Decrease of provisions to cover realised loan losses	-3,684	-3,062	-1,670	-289	-3,766
New/increase in provisions	0	1,406	0	-405	1,312
Reversals of provisions	-1,746	-2,368	-290	-261	-3,251
Net loan losses, defaulted	15,403	-8,917	541	-10,916	-686
Net loan losses	107,391	-11,933	-1,415	-15,578	-1,823

Key ratios ¹					
	Jan-Sep 2020	Jan-Sep 2019	Q3 2020	Q3 2019	Year 2019
Loan loss ratio, basis points	5.62	-0.87	-0.22	-2.56	-0.09
- of which stage 1	1.29	-0.06	0.99	0.07	0.09
- of which stage 2	3.53	-0.18	-1.29	-0.84	-0.13
- of which stage 3	0.81	-0.65	0.08	-1.80	-0.03

¹ Net loan losses divided by average total loans during the period

Note 5 Loans and impairment

Loans and impairment				
NOKt	30 Sep 2020	30 Sep 2019	31 Dec 2019	
Loans measured at amortised cost, not impaired (Stage 1 and 2)	262,769,060	243,070,788	245,194,065	
Impaired loans (Stage 3)	911,781	794,825	784,011	
- of which servicing	257,401	280,128	238,464	
- of which non-servicing	654,380	514,697	545,547	
Loans before allowances	263,680,840	243,865,613	245,978,076	
Allowances for individually assessed impaired loans (Stage 3)	-57,616	-40,892	-47,718	
- of which servicing	-10,106	-3,631	-5,640	
- of which non-servicing	-47,510	-37,261	-42,078	
Allowances for collectively assessed impaired loans (Stage 1 and 2)	-144,398	-53,762	-55,396	
Allowances	-202,014	-94,654	-103,114	
Loans, carrying amount	263,478,827	243,770,959	245,874,963	

Movements of allowance accounts for loans measured at amortised cost

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	-24,820	-8,622	-9,565	-43,007
Changes due to transfers from Stage 1 to Stage 2	1,244	-38,663	0	-37,419
Changes due to transfers from Stage 1 to Stage 3	53	0	-4,922	-4,870
Changes due to transfers from Stage 2 to Stage 1	-1,972	14,224	0	12,253
Changes due to transfers from Stage 2 to Stage 3	0	1,317	-7,399	-6,082
Changes due to transfers from Stage 3 to Stage 1	-236	0	2,746	2,510
Changes due to transfers from Stage 3 to Stage 2	0	-1,017	4,402	3,385
Changes due to changes in credit risk without stage transfer	-255	-42,430	-6,490	-49,175
Changes due to repayments and disposals	3,567	8,609	7,645	19,820
Write-off through decrease in allowance account	0	0	3,684	3,684
Balance at 30 September 2020	-37,979	-106,419	-57,616	-202,014

Note 5 Loans and impairment cont.

Movements of allowance accounts for loans measured at amortised cost

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	-7 443	-4 136	-2 947	-14 526
Changes due to transfers from Stage 1 to Stage 2	343	-17 932	0	-17 589
Changes due to transfers from Stage 1 to Stage 3	19	0	-2 124	-2 105
Changes due to transfers from Stage 2 to Stage 1	-1 400	4 681	0	3 280
Changes due to transfers from Stage 2 to Stage 3	0	447	-3 071	-2 624
Changes due to transfers from Stage 3 to Stage 1	-87	0	705	617
Changes due to transfers from Stage 3 to Stage 2	0	-494	1 783	1 289
Changes due to changes in credit risk without stage transfer	-4 198	-7 841	-1 444	-13 484
Changes due to repayments and disposals	916	3 294	4 294	8 504
Write-off through decrease in allowance account	0	0	3 062	3 062
Changes due to update in the institution's methodology for estimation (net)	3 017	-4 319	-3 336	-4 638
Balance at 30 September 2019	-13 337	-40 425	-40 892	-94 654

Key ratios

	30 Sep 2020	30 Sep 2019	31 Dec 2019
Impairment rate, (stage 3) gross, basis points ¹⁾	34,6	32,6	31,9
Impairment rate (stage 3), net, basis points ²⁾	32,4	30,9	29,9
Total allowance rate (stage 1, 2 and 3), basis points ³⁾	7,7	3,9	4,2
Allowances in relation to credit impaired loans (stage 3), % ⁴⁾	6,3	5,1	6,1
Allowances in relation to loans in stage 1 and 2, basis points ⁵⁾	5,5	2,2	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 refers to eased terms or restructuring of credit terms and conditions due to the borrower experiencing financial difficulties. The intention of granting forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of eased terms are changes in amortisation profile, repayment schedule, customer margin or eased financial covenants. Forbearance is undertaken on an individual basis, according to internal guidelines, 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 instalment-free periods to customers, including Norwegian mortgage customers, who were in need of one due to the COVID-19 situation. The COVID-19 instalment-free periods were generally granted to customers experiencing only short-term liquidity issues due solely to COVID-19. Nordea Eiendomskreditt AS did not register COVID-19 instalment-free periods as forbearance, and consequently did not automatically transfer the exposures to stage 2, due to the temporary nature of the instalment-free periods and as interest continued to accrue. On 1 October 2020 Nordea Eiendomskreditt ended all temporary amendments to the credit risk framework and returned to the normal forbearance registration procedures, while still continuing to support customers through the crisis.

The carrying amount of loans where Nordea Eiendomskreditt had granted instalment-free periods at the end of the third quarter of 2020 amounted to NOK 30bn, which corresponds to 11% of the loan portfolio. The main part is granted as support to our customers during the COVID-19 pandemic.

NOKt	30 Sep 2020	30 Sep 2019	31 Dec 2019
Forborne loans	814 622	682 129	783 476
-of which defaulted	112 883	18 597	81 571
Allowances for forborne loans	8 297	2 693	3 165
-of which defaulted	2 026	764	1 079

Key ratios

Forbearance ratio, basis points ⁶⁾	31	28	32
Forbearance coverage ratio, % ⁷⁾	1,0	0,4	0,4
-of which defaulted, %	1,8	4,1	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 the third quarter of 2020 the scenarios have been weighted into the final expected credit losses (ECL) using baseline 50%, adverse 45% and favourable 5% (baseline 60%, adverse 20% and favourable 20% at year-end 2019). The weight on the adverse scenario was increased in the third quarter of 2020 to give more weight to the downside risks surrounding the expiry of customer support measures and the continuation of the pandemic. The baseline scenario was still maintained as the most probable one.

The macro scenarios are provided by Group Risk and Compliance (GRC) in Nordea, 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 historical relationships between economic variables and to capture the key linkages between those variables. The forecast period in the model is ten years, and for periods beyond, a long-term average is used in the ECL calculations.

The macroeconomic scenarios reflect Nordea's view of how the COVID-19 virus and lockdowns will potentially impact the economic outlook. The scenarios also reflect the macroeconomic effects of the government and central bank support measures. When developing the scenarios, Nordea took into account projections from Nordic governments and central banks, Nordea Research and the ECB's macroeconomic forecasts for the euro area.

During the third quarter of 2020 there was a significant recovery of activity in the relevant economies following an unprecedented downturn in the spring driven by the COVID-19 pandemic and lockdowns. The Norwegian economy is expected to pick up, but the growth will be slow, partly due to sluggish global demand and because a further reopening of society has recently been put on hold or even reversed owing to rising infection rates. Unemployment is expected to remain elevated for an extended period of time and the number of business insolvencies is likely to increase. Going forward, the rise in unemployment is expected to weigh on the housing market.

The management judgement of NOK 121m recognized in the second quarter of 2020, is kept unchanged during the third quarter due to the model scenarios for stressed simulation of the ECL (Expected Credit Loss) including a downside scenario with a decline in gross domestic product (GDP) in 2021 followed by slow recoveries in 2022 and 2023. The total loan loss allowances as of 30 September 2020 was NOK 202m.

Real GDP, % y/y	2021	2022	2023
Favourable scenario	2,9	3,6	2,8
Baseline scenario	1,9	4,0	2,9
Adverse scenario	-0,3	3,1	3,7

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.

30 Sep 2020, NOKt	Amortised cost (AC)	Fair value through profit or loss (FVPL)			Non-financial assets	Total
		Mandatorily	fair value through profit and loss (Fair value option)	Derivatives used for hedging		
Assets						
Loans to credit institutions	3,873,685					3,873,685.0
Loans to the public	263,478,827					263,478,827.0
Interest-bearing securities		5,187,502				5,187,502.0
Derivatives		245		1,750,058		1,750,303
Fair value changes of the hedged items in portfolio hedge of interest rate risk	51,241					51,241
Equipment owned and RoU					209	209
Other assets	12					12
Prepaid expenses and accrued income	246,411				1,659	248,070
Total assets	267,650,176	5,187,747	0	1,750,058	1,868	274,589,850

30 Sep 2020, NOKt	Amortised cost (AC)	Fair value through profit or loss (FVPL)			Non-financial liabilities	Total
		Mandatorily	fair value through profit and loss (Fair value option)	Derivatives used for hedging		
Liabilities						
Deposits by credit institutions	107,927,043					107,927,043
Debt securities in issue	143,270,225					143,270,225
Derivatives		9,500		5,020		14,520
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,107,214					1,107,214
Current tax liabilities					408,425	408,425
Other liabilities	3,404				9,994	13,398
Accrued expenses and prepaid income	564				73,951	74,515
Deferred tax liabilities					39,757	39,757
Provisions					4,623	4,623
Retirement benefit obligations					31,808	31,808
Subordinated loan capital	2,301,504					2,301,504
Total liabilities	254,609,954	9,500	0	5,020	568,559	255,193,034

Note 7 Derivatives and hedge accounting

30 Sep 2020, NOKt	Fair value		Total nominal amount
	Positive	Negative	
Derivatives at FVPL - Mandatorily ¹:			
Interest rate swaps	245	9,500	24,000,000
Total	245	9,500	24,000,000
Derivatives used for hedge accounting:			
Interest rate swaps	1,104,797.00	5,020	22,743,000
Currency interest rate swaps	645,261.00	0	4,340,730
Total	1,750,058.00	5,020	27,083,730
- of which fair value hedges	1,104,797	5,020	22,743,000
- of which cash flow hedges	645,261	0	4,340,730
Total derivatives	1,750,303	14,520	51,083,730

31 Dec 2019, NOKt	Fair value		Total nominal amount
	Positive	Negative	
Derivatives at FVPL - Mandatorily 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 Sep 2019, NOKt	Fair value		Total nominal amount
	Positive	Negative	
Derivatives at FVPL - Mandatorily ¹:			
Interest rate swaps	0	59,686	32,000,000
Total	0	59,686	32,000,000
Derivatives used for hedge accounting:			
Interest rate swaps	592,786	36,545	21,078,000
Currency interest rate swaps	183,709	130,036	5,866,256
Total	776,495	166,581	26,944,256
- of which fair value hedges	592,786	36,545	21,078,000
- of which cash flow hedges	183,709	130,036	5,866,256
Total derivatives	776,495	226,267	58,944,256

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 Sep 2020		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	267,403,753	267,543,225	246,147,445	245,793,916
Interest-bearing securities	5,187,502	5,187,502	5,246,838	5,246,838
Derivatives	1,750,303	1,750,303	816,925	816,925
Other assets	12	12	0	0
Prepaid expenses and accrued income	246,411	246,411	352,524	352,524
Total financial assets	274,587,982	274,727,454	252,563,732	252,210,203
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Deposits and debt instruments	254,605,986	255,598,547	232,696,220	233,464,348
Derivatives	14,520	14,520	171,207	171,207
Other financial liabilities	3,404	3,404	0	0
Accrued expenses and prepaid income	564	564	2,236	2,236
Total financial liabilities	254,624,474	255,617,035	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 Sep 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		5,187,502		5,187,502
Derivatives		1,327,392	422,911	1,750,303
Total assets	0	6,514,894	422,911	6,937,805

Financial liabilities¹				
Derivatives		14,520		14,520
Total liabilities	0	14,520	0	14,520

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 Sep 2020, NOKt	1 Jan 2020	Fair value gains/losses recognised in the income statement during the year		Purchases/Issues	Sales	Settlements	Transfers into	Transfers out of	Translation differences	30 Sep 2020
		Realised	Unrealised				Level 3	Level 3 Reclassification		
Derivatives (net)	0						422,911			422,911

Unrealised gains and losses relates to those assets and liabilities held at the end of the reporting period. During the period Nordea Eiendoms kreditt 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 Sep 2020, NOKt	Fair value ation techniques observable input		
Derivatives			
Interest rate derivatives	165,683	Option model	Correlation, volatilities
Foreign exchange derivatives	257,228	Option model	Correlation, volatilities
Total	422,911		

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 Sep 2020		30 Sep 2019		31 Dec 2019	
	Nominal value	Net Present Value	Nominal value	Net Present Value	Nominal value	Net Present Value
- whereof pool of eligible loans	177,899,500	177,993,599	163,812,788	163,756,738	166,219,860	165,980,963
Supplementary assets and derivatives:						
- whereof CIRS	561,191	674,853	6,794	97,563	168,125	213,629
- whereof IRS	0	1,265,372	0	810,153	0	738,171
Total cover pool	178,460,691	179,933,824	163,819,582	164,664,454	166,387,985	166,932,763
Debt securities in issue (net outstanding amount)	142,485,921	144,082,589	98,882,050	99,969,464	97,504,719	98,490,764
Over-collateralization calculated on net outstanding covered bonds	25.2 %	24.9 %	65.7 %	64.7 %	70.6 %	69.5 %
Debt securities in issue (issue amount)	142,485,921	144,082,589	98,882,050	99,969,464	97,504,719	98,490,764
Over-collateralization calculated on issued covered bonds (gross outstanding covered bonds) ¹	25.2 %	24.9 %	65.7 %	64.7 %	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 Sep 2020			31 Dec 2019		
	Nominal value	Other ¹	Carrying amount	Nominal value	Other ¹	Carrying amount
Covered bonds issued in Norwegian kroner	137,584,000			91,452,000		
Holdings of own covered bonds in Norwegian kroner	0			0		
Outstanding covered bonds issued in Norwegian kroner	137,584,000			91,452,000		
Covered bonds issued in GBP (in NOK)	3,795,271			5,068,094		
Covered bonds issued in EUR (in NOK)	1,106,650			984,625		
Total outstanding covered bonds	142,485,921	784,304	143,270,225	97,504,719	618,947	98,123,667
Loans and deposits from financial institutions for a fixed term	107,820,951	106,092	107,927,043	131,589,951	378,470	131,968,421
Subordinated loan	2,300,000	1,504	2,301,504	2,300,000	2,654	2,302,654
Total	252,606,872	891,900	253,498,772	231,394,670	1,000,071	232,394,742

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

Maturity information

Maximum 1 year	56,959,301	45,174,334
More than 1 year	195,647,571	186,220,336
Total	252,606,872	231,394,670

Norwegian covered bonds (NOKt) at 30 September 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	6,986,000
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	18,550,000
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	18,900,000
NO0010852650	22-05-2019	22-05-2026	Fixed	2.17	NOK	5,050,000
NO0010873334	22-02-2020	19-03-2025	Float	3M Nibor + 0.26%	NOK	11,400,000
NO0010878374	03-04-2020	15-12-2021	Float	3M Nibor + 0.20%	NOK	36,000,000
NO0010893282	16-09-2020	16-09-2025	Float	3M Nibor + 1.50%	NOK	6,000,000
Total						137,584,000

Covered bonds issued in foreign currency at 30 September 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)						4,901,921

Note 12 Capital adequacy

Summary of items included in own funds

NOKm	30 Sep	31 Dec ¹	30 Sep
	2020	2019	2019
Equity in the consolidated situation	18,689	19,164	18,555
Proposed/actual dividend		-485	
Common Equity Tier 1 capital before regulatory adjustments	18,689	18,679	18,555
Deferred tax assets			
Intangible assets			
IRB provisions shortfall (-)	-151	-269	-258
Pension assets in excess of related liabilities			
Other items, net	36	52	40
Total regulatory adjustments to Common Equity Tier 1 capital	-115	-217	-218
Common Equity Tier 1 capital (net after deduction)	18,574	18,462	18,337
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)	18,574	18,462	18,337
Tier 2 capital before regulatory adjustments	2,300	2,300	2,300
IRB provisions excess (+)	41	27	19
Deductions for investments in insurance companies			
Other items, net			
Total regulatory adjustments to Tier 2 capital	41.495	27	19
Tier 2 capital	2,341.495	2,327	2,319
Own funds (net after deduction)²	20,915	20,789	20,656

¹ Including profit for the period

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

Own Funds, including profit

NOKm	30 Sep	31 Dec	30 Sep
	2020	2019	2019
Common Equity Tier 1 capital, including profit	18,931	18,462	18,577
Total Own Funds, including profit	21,272	20,789	20,895

Note 12 Capital adequacy cont.

Minimum capital requirement and REA

	30 Sep 2020 Minimum Capital	30 Sep 2020 REA	31 Dec 2019 Minimum Capital	31 Dec 2019 REA	30 Sep 2019 Minimum Capital	30 Sep 2019 REA
NOKm						
Credit risk	4,856	60,705	4,471	55,883	4,421	55,262
- of which counterparty credit risk	33	412	16	198	14	175
IRB	4,761	59,518	4,451	55,632	4,403	55,042
- sovereign						
- corporate						
- <i>advanced</i>						
- <i>foundation</i>						
- institutions	14	180	14	180	14	181
- retail	4,743	59,286	4,435	55,432	4,388	54,850
- <i>secured by immovable property collateral</i>	4,069	50,858	3,743	46,779	3,752	46,900
- <i>other retail</i>	674	8,428	692	8,653	636	7,950
- other	4	52	2	20	1	11
Standardised	95	1,187	20	251	18	220
- central governments or central banks						
- regional governments or local authorities						
- public sector entities						
- multilateral development banks						
- international organisations						
- institutions	95	1,187	20	251	18	220
- 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	25	2	24	2	23
Additional risk exposure amount due to Article 3 CRR						
Sub total	5,053	63,164	4,642	58,023	4,592	57,401
Adjustment for Basel I floor¹						
Additional capital requirement according to Basel I floor					4,376	54,701
Total	5,053	63,164	4,642	58,023	8,968	112,102

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	Capital Buffers				Capital Buffers total	Total
		CCoB	CCyB	O-SII	SRB		
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	2,842	1,579	630		1,895	4,104	6,946
Tier 1 capital	3,790	1,579	630		1,895	4,104	7,894
Own funds	5,053	1,579	630		1,895	4,104	9,157

Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	30 Sep	31 Dec ¹	30 Sep
	2020	2019	2019
Common Equity Tier 1 capital	23.4	25.8	10.4

¹ Including profit of the period

² Including Basel I floor

Capital ratios

Percentage	30 Sep	31 Dec	30 Sep
	2020	2019	2019
Common Equity Tier 1 capital ratio, including profit	30.0	31.8	32.4
Tier 1 capital ratio, including profit	30.0	31.8	32.4
Total capital ratio, including profit	33.7	35.8	36.4
Common Equity Tier 1 capital ratio, excluding profit	29.4	31.0	31.9
Tier 1 capital ratio, excluding profit	29.4	31.0	31.9
Total capital ratio, excluding profit	33.1	35.0	36.0

Capital ratios including Basel I floor

Percentage	30 Sep	31 Dec	30 Sep
	2020	2019	2019
Common Equity Tier 1 capital ratio, including profit	30.0	31.8	16.6
Tier 1 capital ratio, including profit	30.0	31.8	16.6
Total capital ratio, including profit	33.7	35.8	18.6
Common Equity Tier 1 capital ratio, excluding profit	29.4	31.0	16.4
Tier 1 capital ratio, excluding profit	29.4	31.0	16.4
Total capital ratio, excluding profit	33.1	35.0	18.4

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

Leverage ratio

Leverage ratio	30 Sep	31 Dec ¹	30 Sep
	2020	2019	2019
Tier 1 capital, transitional definition, NOKm	18,574	18,462	18,337
Leverage ratio exposure, NOKm	287,062	263,381	260,934
Leverage ratio, percentage	6.5	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:	3,230		3,230		6
<i>of which</i>					
- rating grades 6	3,230		3,230		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:	230,393	5,720	232,338	1,945	22
<i>of which</i>					
- scoring grades A	178,973	4,945	180,655	1,681	21
- scoring grades B	35,186	525	35,365	179	21
- scoring grades C	12,050	217	12,123	74	24
- scoring grades D	3,586	33	3,597	11	39
- scoring grades E					
- scoring grades F					
- not scored					
- defaulted	598	0	598	0	241
Retail, of which other retail:	33,484	18,762	39,863	6,380	21
<i>of which</i>					
- scoring grades A	14,296	16,076	19,762	5,466	7
- scoring grades B	3,639	1,494	4,146	508	14
- scoring grades C	1,331	471	1,492	160	26
- scoring grades D	9,238	548	9,424	187	37
- scoring grades E	3,298	89	3,328	30	40
- scoring grades F	1,075	6	1,078	2	57
- not scored	493	75	518	26	63
- defaulted	114	3	115	1	290
Other non credit-obligation assets:	52		52		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 economic impact on the Norwegian mortgage market. Depending on future developments, potential adverse impacts on income could arise due to lower net interest income and

increased loan losses. Potential future credit risk losses are addressed in Note 5 and in the section "Net loan losses" in the Board of Directors' Report.

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 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 short term unsecured funding to Nordea Eiendoms kreditt, and at the end of the third quarter 2020 such borrowings amounted to NOK 108 billion. Subordinated loans provided by Nordea Bank Abp was NOK 2.3 billion at the end of the third quarter. In addition, Nordea Bank Abp had a holding of covered bonds issued by Nordea Eiendoms kreditt of NOK 36.6 billion at the end of the third 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 Nordea Bank Abp, filial i Norge an amount of NOK 594 million in the first three quarters 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 20 million in the first three quarters of 2020. All group internal transactions are settled according to market-based principles on conformity with OECD requirements on transfer pricing.

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