



Interim Report 1st quarter 2018

Nordea Eiendoms kreditt AS



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

Read more about us on Nordea.com.

Key financial figures

Summary of income statement (NOKm)

	Jan-Mar 2018	Jan-Mar 2017	Year 2017
Net interest income	405	316	1 576
Net result from items at fair value	-0	-28	-2
Other income	12	13	42
Total operating income	417	301	1 616
Staff costs	5	5	17
Other expenses	94	88	396
Total operating expenses	99	93	414
Loan losses (negative figures are reversals)	1	0	27
Operating profit	317	207	1 175
Income tax expense	78	52	294
Net profit for the period	238	156	881

Summary of balance sheet (NOKm)

	31 Mar 2018	31 Mar 2017	31 Dec 2017
Loans to the public	125 803	107 912	135 511
Allowance for loan losses	-56	-67	-89
Other assets	8 017	7 831	7 111
Debt securities in issue	80 736	86 702	77 731
Other liabilities	40 033	16 549	51 635
Equity	12 996	12 425	13 167
Total assets	133 765	115 676	142 533
Average total assets	137 888	113 043	131 021

Ratios and key figures

	31 Mar 2018	31 Mar 2017	31 Dec 2017
Basic/diluted Earnings per share (EPS), annualised basis, NOK	62,1	41,1	57,5
Equity per share, NOK ¹	847,4	810,2	858,5
Shares outstanding ¹ , million	15,3	15,3	15,3
Post-tax return on average equity	7,2 %	5,1 %	6,9 %
Cost/income ratio	23,8 %	30,9 %	25,6 %
Loan loss ratio, annualised, basis points	0,4	0,1	2,2
Common Equity Tier 1 capital ratio, excl. Basel I floor ^{1,2}	90,1 %	87,5 %	83,5 %
Tier 1 capital ratio, excl. Basel I floor ^{1,2}	90,1 %	87,5 %	83,5 %
Total capital ratio, excl. Basel I floor ^{1,2}	98,7 %	96,3 %	91,6 %
Common Equity Tier 1 capital ratio, incl. Basel I floor ^{1,2}	22,9 %	25,4 %	21,2 %
Tier 1 capital ratio incl. Basel I floor ^{1,2}	22,9 %	25,4 %	21,2 %
Total capital ratio incl. Basel I floor ^{1,2}	25,1 %	28,0 %	23,2 %
Own funds, NOKm ^{1,2}	13,922	13 484	13 923
Risk Exposure Amount incl. Basel I floor, NOKm ¹	55,415	48 220	59 927
Number of employees (full-time equivalents) ¹	15,5	14,0	15,5

¹ At the end of the period

² Excluding the year to date result for interim figures

Nordea Eiendomskreditt AS

Introduction

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

Nordea Eiendomskreditt's business objective is to acquire long term Norwegian residential mortgage loans and loans to holiday houses from the parent bank, and to fund its lending activities primarily via issuance of covered bonds (bonds with a priority right of recourse to the company's collateral for its lending). Nordea Eiendomskreditt AS is a wholly owned subsidiary of Nordea Bank AB (publ).

Income statement

Profit from ordinary activities after loan losses but before tax for the first three months of 2018 was NOK 317 million (NOK 207 million). The profit reported is equivalent to a post-tax return on average equity of 7.2% (5.1%) on an annualised basis.

Net interest income for the three months ending 31 March 2018 showed an increase of 28% compared to the same period last year and amounted to NOK 405 million (NOK 316 million). The loan portfolio has been higher in 2018 than in 2017, and this is the main reason for the increase in net interest income.

Total operating expenses for the first three months amounted to NOK 99 million (NOK 93 million). NOK 5 million of operating expenses is staff related. Other operating expenses are mainly related to services bought from the parent bank, such as management of the loan portfolio and customer contact, as well as funding and risk control.

Loan losses and provisions recognised in the accounts for the first three months amounted to NOK 1.1 million (NOK 0.4 million). Provisions related to loans in stage 1 and 2 (servicing loans) have increased, while provisions for loans in stage 3 (non-servicing loans) have decreased since year end. Realised loan losses were NOK 1.0 million. See note 4 and note 5 for further information about loan losses and impairment for loans in the three stages according to IFRS 9, that were implemented from 1 January 2018.

Total assets amounted to NOK 133.8 billion as of 31 March 2018 (NOK 115.7 billion).

Capital position and risk exposure amount

Nordea Eiendomskreditt's Common Equity Tier 1 capital ratio excluding Basel I floor was 90.1% excluding profit at the end of the first quarter, an increase of 9.5 percentage points from the end of the previous quarter. This was primarily due to a decrease in REA, stemming from amortization in mortgage loans. The Total Capital ratio excluding

Basel I floor increased 10.1 percentage points to 98.7%, excluding profit.

Risk Exposure Amount (REA) was NOK 14 110m excluding Basel I rules, a decrease of NOK 1 091m, compared to the previous quarter. The main driver for the decrease in REA was decreased volumes in the retail portfolio due to amortization in mortgage loans.

The Common Equity Tier 1 ratio including Basel I rules was 22.9% excluding profit at the end of the first quarter and the Own Funds was NOK 13 922m. The Tier 1 capital and the Common Equity Tier 1 capital were NOK 12 708m (no additional Tier 1 capital).

Funding

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

During the first three months of 2018 Nordea Eiendomskreditt issued covered bonds amounting to NOK 5.8 billion in the Norwegian domestic market under its NOK 100bn domestic covered bond programme. As of 31 March 2018, Nordea Eiendomskreditt had outstanding covered bonds totalling NOK 72.2 billion in the Norwegian market, GBP 0.6 billion in the British market and EUR 0.1 billion in the European market. Nordea Eiendomskreditt also had subordinated debt outstanding to the amount of NOK 1.2 billion.

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

In addition to the long term funding, Nordea Eiendomskreditt also raised short term unsecured funding from the parent bank. At the end of the first quarter of 2018 such borrowings amounted to NOK 36.2 billion.

Rating

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

Lending

The gross book value of loans to the public amounted to NOK 125.8 billion as of 31 March 2018 (NOK 107.9

billion) and consists entirely of residential mortgage loans and loans to holiday houses, that are bought from and managed by Nordea Bank AB (publ), filial i Norge. NOK 118.4 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 44.7% in relation to covered bonds issued.

Interest rate and currency hedging

The company uses interest rate and currency swaps to hedge interest rate and currency risk. At the close of the first quarter of 2018, the company was party to interest rate swaps with nominal value of NOK 63.8 billion. In accordance with a IFRS, fair value changes of interest rate swaps and the corresponding hedged items (fixed-rate lending and fixed-rate issued bonds) due to changes in market rates, are recognised in the profit and loss accounts.

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

Impaired loans

As of 31 March 2018 impaired loans amounted to NOK 531.1 million which corresponds to 0.42% of the total loan portfolio. Allowances of NOK 36.4 million have been made, and net impaired loans were NOK 494.6 million at 31 March 2018 compared to NOK 375.8 million at 31 March 2017.

Nordea Eiendoms kreditt AS

Oslo, 8 May 2018



John Arne Sætre
Chairman



Nicklas Ilebrand
Vice Chairman



Ola Littorin
Board member



Marte Kopperstad
Board member



Alex Madsen
Board member



Anne Sofie Knoph
Employee representative



Børre S. Gundersen
Chief Executive Officer

Income statement

NOKt	Note	Jan-Mar 2018	Jan-Mar 2017	Year 2017
Operating income				
Interest income on loans and deposits with financial institutions		391	346	3 685
Interest and related income on loans to customers		788 593	675 103	3 087 253
Interest and related income on debt securities		11 137	13 273	47 716
Other interest and related income		156	42	383
Total interest and related income		800 276	688 765	3 139 037
Interest expense on liabilities to financial institutions		123 191	30 229	347 030
Interest and related expense on securities issued		336 339	391 547	1 418 004
Interest expense on subordinated loan capital		8 201	9 274	34 602
Other interest and related expense ¹		-72 709	-58 310	-236 558
Total interest and related expense		395 022	372 740	1 563 078
Net interest income		405 254	316 024	1 575 959
Fee and commission income		15 186	13 581	60 162
Fee and commission expense		3 250	744	18 225
Net fee and commission income		11 937	12 837	41 937
Net result from items at fair value	3	-157	-28 206	-1 935
Total operating income		417 034	300 655	1 615 961
Staff costs		4 973	4 772	17 376
Other operating expenses		94 341	88 102	396 214
Total operating expenses		99 314	92 873	413 590
Profit before loan losses		317 720	207 781	1 202 371
Loan losses	4	1 139	353	27 341
Operating profit		316 582	207 429	1 175 030
Income tax expense		78 397	51 857	293 760
Net profit for the period		238 185	155 572	881 270
Attributable to:				
Shareholders of Nordea Eiendomskreditt AS		238 185	155 572	881 270
Total allocation		238 185	155 572	881 270

Basic/diluted earnings per share, NOK 15,53 10,14 57,46

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

Statement of comprehensive income

NOKt	Jan-Mar 2018	Jan-Mar 2017	Year 2017
Net profit for the period	238 185	155 572	881 270
Items that may be reclassified subsequently to the income statement			
Cash Flow hedges:			
Valuation gains/losses during the period	6 739	-11 192	8 169
Tax on valuation gains/losses during the period	-1 665	2 798	-2 042
Items that may not be reclassified subsequently to the income statement			
Defined benefit plans:			
Remeasurement of defined benefit plans	2 272	-7	2 351
Tax on remeasurement of defined benefit plans	-568	2	-588
Other comprehensive income, net of tax	6 778	-8 399	7 890
Total comprehensive income	244 963	147 172	889 160
Attributable to:			
Shareholders of Nordea Eiendomskreditt AS	244 963	147 172	889 160
Total	244 963	147 172	889 160

Balance sheet

NOKt	Note	31 Mar 2018	31 Mar 2017	31 Dec 2017
Assets				
Loans to credit institutions		18 194	138 986	138 509
Loans to the public	5, 8	125 747 544	107 845 279	135 421 520
Interest-bearing securities	8, 9	6 727 539	5 757 037	5 603 387
Derivatives	7, 8, 9	1 105 954	1 766 853	1 194 840
Fair value changes of the hedged items in portfolio hedge of interest rate risk		14 714	31 509	26 142
Retirement benefit assets		1 666		0
Other assets		3	17 909	4
Accrued income and prepaid expenses	8	149 113	118 818	148 564
Total assets	6	133 764 728	115 676 391	142 532 966
Liabilities				
Deposits by credit institutions	8	36 459 780	12 291 267	47 832 472
Debt securities in issue	8	80 735 751	86 701 765	77 730 925
Derivatives	7, 8, 9	1 410 600	1 697 406	1 349 553
Fair value changes of the hedged items in portfolio hedge of interest rate risk		546 572	1 020 038	835 069
Current tax liabilities		265 059	245 749	279 728
Other liabilities		4 709	2 969	5 872
Accrued expenses and prepaid income	8	24 327	3 313	21 168
Deferred tax liabilities		110 455	80 501	99 968
Provisions		248		
Retirement benefit obligations		10 554	8 190	11 036
Subordinated loan capital		1 200 203	1 200 284	1 200 279
Total liabilities	6	120 768 258	103 251 481	129 366 069
Equity				
Share capital		1 702 326	1 702 326	1 702 326
Share premium		3 731 301	3 731 301	3 731 301
Other reserves		-48 101	-71 169	-54 880
Retained earnings		7 372 758	6 906 880	7 788 150
Net profit for the period		238 185	155 572	
Total equity		12 996 470	12 424 910	13 166 897
Total liabilities and equity		133 764 728	115 676 391	142 532 966
Assets pledged as security for own liabilities		118 377 223	100 300 365	127 465 821
Contingent liabilities		535	704	535
Commitments		13 689 874	13 607 413	14 221 101

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 2018	1 702 326	3 731 301	-52 013	-2 867	7 788 150	13 166 897
Total comprehensive income			5 074	1 704	238 185	244 963
Restatement due to changed accounting policy ²					25 108	25 108
Group contribution paid					-440 500	-440 500
Group contribution received						0
Closing balance at 31 Mar 2018	1 702 326	3 731 301	-46 939	-1 163	7 610 943	12 996 470

NOKt	Share capital ¹	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
Opening balance at 1 Jan 2017	1 702 326	3 731 301	-58 140	-4 629	6 906 880	12 277 737
Total comprehensive income	0	0	6 127	1 763	881 270	889 160
Group contribution paid						0
Group contribution received						0
Closing balance at 31 Dec 2017	1 702 326	3 731 301	-52 013	-2 867	7 788 150	13 166 897

NOKt	Share capital ¹	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
Opening balance at 1 Jan 2017	1 702 326	3 731 301	-58 140	-4 629	6 906 880	12 277 737
Total comprehensive income			-8 394	-5	155 572	147 172
Group contribution paid						0
Group contribution received						0
Closing balance at 31 Mar 2017	1 702 326	3 731 301	-66 535	-4 634	7 062 452	12 424 910

¹ The company's share capital at 31 March 2018 was NOK 1.702.325.859,-. The number of shares was 15.336.269, each with a quota value of NOK 111,-. All shares are owned by Nordea Bank AB (publ).

² Related to IFRS 9. See Note 1 for more information.

Nordea Eiendoms kreditt AS

Oslo, 8 May 2018



John Arne Sætre
Chairman



Nicklas Ilebrand
Vice Chairman



Ola Littorin
Board member



Marte Kopperstad
Board member



Alex Madsen
Board member



Anne Sofie Knoph
Employee representative



Børre S. Gundersen
Chief Executive Officer

Cash flow statement

NOKt	Jan-Mar 2018	Jan-Mar 2017	Year 2017
Operating activities			
Operating profit before tax	316 582	207 429	1 175 030
Adjustments for items not included in cash flow	683	-1 564	20 657
Income taxes paid	-93 066	0	-193 887
Cash flow from operating activities before changes in operating assets and liabilities	224 199	205 865	1 001 800
Changes in operating assets			
Change in loans to the public	9 707 593	-1 904 377	-29 502 839
Change in interest-bearing securities	-1 100 003	9 750	181 188
Change in derivatives, net	149 394	-250 692	-26 533
Change in other assets	-15 004	-30 672	-54 934
Changes in operating liabilities			
Change in deposits by credit institutions	-11 368 966	-459 340	35 038 265
Change in debt securities in issue	2 853 917	2 279 933	-6 483 701
Change in other liabilities	-130 944	132 620	-170 637
Cash flow from operating activities	320 186	-16 913	-17 391
Investing activities			
Purchase/sale of tangible fixed assets	0	0	0
Change in loans and receivables to credit institutions, fixed terms	0	0	0
Change in holdings of bearer bonds issued by others	0	0	0
Cash flow from investing activities	0	0	0
Financing activities			
Change in subordinated loan capital	0	0	0
Group contribution paid	-440 500	0	0
Group contribution received	0	0	0
Increase in share capital and share premium	0	0	0
Cash flow from financing activities	-440 500	0	0
Cash flow for the year	-120 315	-16 914	-17 391
Cash and cash equivalents at 1 January	138 509	155 900	155 900
Cash and cash equivalents at end of the period	18 194	138 986	138 509
Change	-120 315	-16 914	-17 391

Comments on the cash flow statement

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

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

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

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

Notes to the financial statements

Note 1 Accounting policies

The interim financial statements for the period 1 January to 31 March 2018 are presented in accordance with IAS 34 "Interim Financial Reporting". In addition, certain complementary rules in the Norwegian Accounting Act with supported regulation have been applied.

The accounting policies and methods of computations are largely the same as for the Annual Report 2017. For more information see Note 1 Accounting Principles in the Annual Report 2017. For changes implemented during 2018, see "Changed accounting policies and presentation" below.

As a result of rounding adjustments, the figures in one or more columns or rows included in the financial statements may not add up to the total of that column or row.

Changed accounting policies and presentation

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

IFRS 9 "Financial instruments"

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

The total positive impact on equity from IFRS 9 amounts to NOK 25m after tax and was recognised as an opening balance adjustment 1 January 2018. For more information about the IFRS 9 transition impact on 1 January 2018, and the accounting principles applied by Nordea Eiendoms kreditt as from 1 January 2018 for classification, measurement and impairment of financial instruments, see Note 24 in the Annual Report for 2017. Nordea Eiendoms kreditt has not restated the comparative figures for 2017.

IFRS 15 "Revenue from Contracts with Customers"

The new standard IFRS 15 "Financial instruments" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition standards and interpretations within IFRS, such as IAS 18 "Revenue". The standard does not apply to financial instruments, insurance contracts or lease contracts. The standard was implemented by Nordea Eiendoms kreditt as from 1 January 2018. However, the implementation had no effect on the financial statements or capital adequacy.

Other amendments

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

Exchange rates	Jan-Mar 2018	Full year 2017	Jan-Mar 2017
USD 1 = NOK			
Income statement (average)	7,8405	8,2698	8,4403
Balance sheet (at end of period)	7,8541	8,2050	8,5757
GBP 1 = NOK			
Income statement (average)	10,9093	10,6496	10,4471
Balance sheet (at end of period)	11,0607	11,09104	10,7165
EUR 1 = NOK			
Income statement (average)	9,6366	9,3317	8,9883
Balance sheet (at end of period)	9,6770	9,8403	9,1683

Note 2 Segment information

The activities of Nordea Eiendoms kreditt AS represent a single segment. This is a result of the manner in which the company is organised and managed, including the system for internal reporting whereby the business is

to all practical purposes managed as a single segment. The services provided by Nordea Eiendoms kreditt AS are judged to be subject to the same risks and yield requirements. Nordea Eiendoms kreditt AS is part of the Personal Banking Business Area in Nordea.

Note 3 Net result from items at fair value

Net gains/losses for categories of financial instruments

NOKt	Jan-Mar 2018
Financial instruments at FVPL - Mandatorily ¹	-3 814
Financial instruments under hedge accounting	3 659
- of which net gains/losses on hedged items	270 127
- of which net gains/losses on hedging instruments	-266 468
Total	-157

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

NOKt	Jan-Mar 2017	Year 2017
Financial instruments held for trading ²	-8 409	17 766
Financial instruments under hedge accounting	-19 797	-19 701
- of which net gains/losses on hedged items	40 541	198 516
- of which net gains/losses on hedging instruments	-60 337	-218 217
Total	-28 206	-1 935

² No assets or liabilities were classified as held for trading other than interest-bearing securities and derivatives held for economic hedging, which do not meet the requirements for hedge accounting according to IAS 39.

Note 4 Net loan losses

Net loan losses

NOKt	Jan-Mar 2018 ¹
Net loan losses, Stage ¹	1 094
Net loan losses, Stage ²	2 431
Total loan losses, non-defaulted	3 525
Stage 3, defaulted	
Net loan losses, individually assessed, collectively calculated	-3 916
Realised loan losses	1 056
Decrease of provisions to cover realised loan losses	-72
Recoveries on previous realised loan losses	-
New/increase in provisions	1 788
Reversals of provisions	-1 243
Net loan losses, defaulted	-2 387
Net loan losses	1 139

Key ratios

	Jan-Mar 2018 ¹
Loan loss ratio, basis points	0,36
- of which stage 1	0,35
- of which stage 2	0,77
- of which stage 3	-0,76

¹ Based on IFRS 9

Net loan losses

NOKt	Jan-Mar 2017 ²	Jan-Dec 2017 ²
Realised loan losses	1 917	6 684
Allowances to cover realised loan losses	-1 902	-4 633
Provisions	1 979	30 129
Reversals of previous provisions	-1 641	-4 839
Total loan losses for the period	353	27 341

Key ratios

	Jan-Mar 2017 ²	Jan-Dec 2017 ²
Loan loss ratio, basis points	0,1	2,2

² Based on IAS 39

Note 5 Loans and impairment

Loans and impairment

NOKt	31 Mar 2018 ¹	31 Mar 2017 ²	31 Dec 2017 ²
Loans measured at amortised cost, not impaired (Stage 1 and 2)	125 272 488	107 509 108	135 048 500
Impaired loans (Stage 3)	531 080	403 263	462 333
- of which servicing	81 124	24 794	17 939
- of which non-servicing	449 956	378 468	444 394
Loans before allowances	125 803 568	107 912 371	135 510 833
Allowances for individually assessed impaired loans (Stage 3)	-36 449	-27 472	-26 056
- of which servicing	-1 252	-2 211	-1 356
- of which non-servicing	-35 197	-25 261	-24 700
Allowances for collectively assessed impaired loans (Stage 1 and 2)	-19 575	-39 620	-63 257
Allowances	-56 024	-67 092	-89 313
Loans, carrying amount	125 747 544	107 845 279	135 421 520

¹ Based on IFRS 9

² Based on IAS 39

Movements of allowance accounts for loans measured at amortised cost

NOKt	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018 ¹	2 563	13 913	39 818	56 295
Changes due to origination and acquisition	40	0	0	40
Changes due to change in credit risk (net)	1 245	3 365	-1 289	3 321
Changes due to repayments and disposals	-190	-1 007	-2 008	-3 206
Write-off through decrease in allowance account	0	0	-72	-72
Other changes	-354	0	0	-354
Translation differences	0	0	0	0
Balance at 31 March 2018	3 304	16 271	36 449	56 024

¹ Based on IFRS 9

Key ratios

	31 Mar 2018 ¹
Impairment rate (Stage 3), gross, basis points	42,2
Impairment rate (Stage 3), net, basis points	39,3
Total allowance rate (Stage 1, 2 and 3), basis points	4,5
Allowances in relation to credit impaired loans (Stage 3), basis points	686,3
Collective allowances in relation to loans in Stage 1 and 2, basis points	1,6

¹ Based on IFRS 9

	31 Mar 2017	31 Dec 2017
Impairment rate, gross ¹ , basis points	37,4	34,1
Impairment rate, net ² , basis points	31,2	27,5
Total allowance rate ³ , basis points	6,2	6,6
Allowance rate, individually assessed impaired loans ⁴ , in %	6,8	5,6
Total allowances in relation to impaired loans ⁵ , in %	16,6	19,3
Non-servicing loans, not impaired ⁶ , in NOKt	98 647	44 284

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

¹ Impaired loans before allowances divided by total loans before allowances.

² Impaired loans after allowances divided by total loans before allowances.

³ Total allowances divided by total loans before allowances.

⁴ Allowances for individually assessed impaired loans divided by gross impaired loans.

⁵ Total allowances divided by gross impaired loans

⁶ Past due loans, not impaired due to future cash flows

Note 6 Classification of assets and liabilities

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)						Total
	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging	Fair value through other comprehensive income (FVOCI)	Non-financial assets	
31 March 2018, NOKt							
Assets							
Loans to credit institutions	18 194						18 194
Loans to the public	125 747 544						125 747 544
Interest-bearing securities		6 727 539					6 727 539
Derivatives				1 105 954			1 105 954
Fair value changes of the hedged items in portfolio hedge of interest rate risk	14 714						14 714
Retirement benefit assets						1 666	1 666
Other assets						3	3
Prepaid expenses and accrued income	148 881					232	149 113
Total assets	125 929 333	6 727 539	0	1 105 954	0	1 901	133 764 728

	Fair value through profit or loss (FVPL)						Total
	Amortised cost (AC)	Mandatorily	Designated at fair value through profit or loss (Fair value option)	Derivatives used for hedging		Non-financial liabilities	
31 March 2018, NOKt							
Liabilities							
Deposits by credit institutions	36 459 780						36 459 780
Debt securities in issue	80 735 750						80 735 750
Derivatives		49 633		1 360 968			1 410 601
Fair value changes of the hedged items in portfolio hedge of interest rate risk	546 572						546 572
Current tax liabilities						265 059	265 059
Other liabilities	1 502					3 207	4 709
Accrued expenses and prepaid income	320					24 008	24 328
Deferred tax						110 455	110 455
Provisions						248	248
Retirement benefit obligations						10 554	10 554
Subordinated loan capital	1 200 203						1 200 203
Total liabilities	118 944 127	49 633	0	1 360 968		413 531	120 768 258

Note 7 Derivatives and hedge accounting

31 March 2018, NOKt	Fair value		Total nominal amount
	Positive	Negative	
Derivatives at FVPL - Mandatorily ¹:			
Interest rate swaps	0	49 633	45 500 000
Total	0	49 633	45 500 000
Derivatives used for hedge accounting:			
Interest rate swaps	1 105 954	151 130	18 319 000
Currency interest rate swaps	0	1 209 837	9 114 756
Total	1 105 954	1 360 968	27 433 756
Total derivatives	1 105 954	1 410 600	72 933 756

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

31 December 2017, NOKt	Fair value		Total nominal amount
	Positive	Negative	
Derivatives held for trading ²:			
Interest rate swaps	46	38 971	45 500 000
Total	46	38 971	45 500 000
Derivatives used for hedge accounting:			
Interest rate swaps	1 194 794	130 337	18 784 000
Currency interest rate swaps	0	1 180 245	9 114 756
Total	1 194 794	1 310 582	27 898 756
Total derivatives	1 194 840	1 349 553	73 398 756

31 March 2017, NOKt	Fair value		Total nominal amount
	Positive	Negative	
Derivatives held for trading ²:			
Interest rate swaps	0	79 189	53 500 000
Total	0	79 189	53 500 000
Derivatives used for hedge accounting:			
Interest rate swaps	1 545 332	118 526	19 898 000
Currency interest rate swaps	221 520	1 499 690	14 248 301
Total	1 766 853	1 618 217	34 146 301
Total derivatives	1 766 853	1 697 406	87 646 301

² No derivatives were classified as held for trading other than derivatives held for economic hedging, which do not meet the requirements for hedge accounting according to IAS 39.

Note 8 Fair value of financial assets and liabilities

NOKt	31 March 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	125 780 452	128 226 224	135 586 171	133 848 501
Interest-bearing securities	6 727 539	6 727 539	5 603 387	5 603 387
Derivatives	1 105 954	1 105 954	1 194 840	1 194 840
Other financial assets	0	0	0	0
Prepaid expenses and accrued income	148 420	148 420	148 303	148 303
Total financial assets	133 762 365	136 208 137	142 532 701	140 795 031
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Deposits and debt instruments	118 942 306	120 007 234	127 598 745	128 822 011
Derivatives	1 410 600	1 410 600	1 349 553	1 349 553
Other financial liabilities	0	0	0	0
Accrued expenses and prepaid income	320	320	418	418
Total financial liabilities	120 353 227	121 418 154	128 948 717	130 171 982

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

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

Categorisation into fair value hierarchy

31 March 2018, 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 assets ¹			
Interest-bearing securities		6 727 539		6 727 539
Derivatives		1 105 954		1 105 954
Total assets	0	7 833 493	0	7 833 493
Financial liabilities ¹				
Derivatives		1 410 600		1 410 600
Total liabilities	0	1 410 600	0	1 410 600
	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
31 December 2017, NOKt				
Financial assets ¹				
Interest-bearing securities		5 603 387		5 603 387
Derivatives		1 194 840		1 194 840
Total assets	0	6 798 227	0	6 798 227
Financial liabilities ¹				
Derivatives		1 349 553		1 349 553
Total liabilities	0	1 349 553	0	1 349 553

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 2017, Note 17 Assets and liabilities at fair value.

Transfers between Level 1 and Level 2

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

Note 10 Capital adequacy

Summary of items included in own funds

NOKm	31 Mar 2018	31 Dec ¹ 2017	31 Mar 2017
Calculation of own funds			
Equity in the consolidated situation	12 758	13 168	12 269
Proposed/actual dividend		-441	
Common Equity Tier 1 capital before regulatory adjustments	12 758	12 727	12 269
Deferred tax assets			
Intangible assets			
IRB provisions shortfall (-)	-85	-75	-64
Deduction for investments in credit institutions (50%)			
Pension assets in excess of related liabilities	-2		
Other items, net	37	43	50
Total regulatory adjustments to Common Equity Tier 1 capital	-50	-32	-14
Common Equity Tier 1 capital (net after deduction)	12 708	12 695	12 255
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)	12 708	12 695	12 255
Tier 2 capital before regulatory adjustments	1 204	1 200	1 205
IRB provisions excess (+)	10	28	24
Deduction for investments in credit institutions (50%)			
Deductions for investments in insurance companies			
Pension assets in excess of related liabilities			
Other items, net			
Total regulatory adjustments to Tier 2 capital	10	28	24
Tier 2 capital	1 214	1 228	1 229
Own funds (net after deduction)²	13 922	13 923	13 484

¹ Including profit for the period

² Own Funds adjusted for IRB provision, i.e. adjusted own funds equal 13997m by 31 Mar 2018

Minimum capital requirement and REA

NOKm	31 Mar 2018	31 Mar 2018	31 Dec 2017	31 Dec 2017	31 Mar 2017	31 Mar 2017
	Minimum Capital requirement	REA requirement	Minimum Capital requirement	REA requirement	Minimum Capital requirement	REA
Credit risk	943	11 794	1 012	12 652	904	11 302
- of which counterparty credit risk	2	23	3	43	6	72
IRB	942	11 771	1 006	12 581	896	11 198
- sovereign	9	118	6	77		
- corporate						
- advanced						
- foundation						
- institutions	13	161	13	161	13	155
- retail	919	11 491	987	12 343	883	11 043
- secured by immovable property collateral	783	9 789	790	9 879	839	10 494
- other retail	136	1 702	197	2 464	44	549
- other	0	0				
Standardised	2	23	6	71	8	104
- central governments or central banks						
- regional governments or local authorities						
- public sector entities						
- multilateral development banks						
- international organisations						
- institutions	2	23	6	71	8	103
- 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					0	1

Credit Value Adjustment Risk

Market risk

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

Operational risk	185	2 317	204	2 550	204	2 550
Standardised	185	2 317	204	2 550	204	2 550
Additional risk exposure amount due to Article 3 CRR					13	157
Sub total	1 129	14 110	1 216	15 202	1 121	14 009
Adjustment for Basel I floor						
Additional capital requirement according to Basel I floor	3 304	41 305	3 578	44 725	2 737	34 211
Total	4 433	55 415	4 794	59 927	3 858	48 220

Minimum Capital Requirement & Capital Buffers

Percentage	Minimum Capital requirement	Capital Buffers				Capital Buffers total	Total
		CCoB	CCyB	SII	SRB		
Common Equity Tier 1 capital	4,5	2,5	2,0		3,0	7,5	12,0
Tier 1 capital	6,0	2,5	2,0		3,0	7,5	13,5
	8,0	2,5	2,0		3,0	7,5	15,5
NOKm							
Common Equity Tier 1 capital	2 494	1 385	1 106		1 662	4 153	6 647
Tier 1 capital	3 325	1 385	1 106		1 662	4 153	7 478
Own funds	4 433	1 385	1 106		1 662	4 153	8 587

Common Equity Tier 1 available to meet Capital Buffers

	31 Mar ² 2018	31 Dec ^{1,2} 2017	31 Mar ² 2017
Percentage points of REA			
Common Equity Tier 1 capital	16,9	15,2	19,4

¹ Including profit for the period

² Including Basel I floor

Capital ratios

	31 Mar 2018	31 Dec 2017	31 Mar 2017
Percentage			
Common Equity Tier 1 capital ratio, excluding profit	90,1	80,6	87,5
Tier 1 capital ratio, excluding profit	90,1	80,6	87,5
Total capital ratio, excluding profit	98,7	88,6	96,3

Capital ratios including Basel I floor

	31 Mar 2018	31 Dec 2017	31 Mar 2017
Percentage			
Common Equity Tier 1 capital ratio, excluding profit	22,9	20,4	25,4
Tier 1 capital ratio, excluding profit	22,9	20,4	25,4
Total capital ratio, excluding profit	25,1	22,5	28,0

Leverage ratio	31 Mar ² 2018	31 Dec ^{1,2} 2017	31 Mar ² 2017
Tier 1 capital, transitional definition, NOKm	12 708	12 695	12 255
Leverage ratio exposure, NOKm	139 579	148 632	121 075
Leverage ratio, percentage	9,1	8,5	10,1

¹ Including profit for the period

² Leverage ratio is calculated according to the Delegated Act

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

	On-balance exposure, NOKm	Off-balance exposure, NOKm	Exposure value (EAD), NOKm ¹	of which EAD for off-balance, NOKm	Exposure- weighted average risk weight:
Sovereign, foundation IRB:	3 186		3 186		4
<i>of which</i>					
- rating grades 7	3 186		3 186		4
- rating grades 6					
- rating grades 5					
- rating grades 4					
- rating grades 3					
- rating grades 2					
- rating grades 1					
- unrated					
- defaulted					
Institutions, foundation IRB:	3 543		3 543		5
<i>of which</i>					
- rating grades 6	3 543		3 543		5
- rating grades 5					
- rating grades 4					
- rating grades 3					
- rating grades 2					
- rating grades 1					
- unrated					
- defaulted					
Retail, of which secured by real estate:	119 160	12 706	123 480	4 320	8
<i>of which</i>					
- scoring grades A	96 741	11 536	100 663	3 922	5
- scoring grades B	14 166	816	14 443	277	11
- scoring grades C	5 344	255	5 431	87	23
- scoring grades D	2 467	96	2 500	33	40
- scoring grades E					
- scoring grades F					
- not scored					
- defaulted	443	3	444	1	242
Retail, of which other retail:	6 809	984	7 143	335	24
<i>of which</i>					
- scoring grades A	3 002	758	3 259	258	7
- scoring grades B	577	63	598	21	14
- scoring grades C	199	36	211	12	26
- scoring grades D	1 029	50	1 046	17	37
- scoring grades E	1 367	64	1 389	22	40
- scoring grades F	598	13	603	4	57
- not scored					
- defaulted	37	0	38	0	148
Other non credit-obligation assets:	0		0		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 11 Risks and uncertainties

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

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

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

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

Note 12 Transactions with related parties

Nordea Eiendoms kreditt considers that its related parties include its parent company, other companies in the Nordea Group, and key persons in senior positions.

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 6.

Nordea Bank AB (publ), filial i Norge also provides short term unsecured funding to Nordea Eiendoms kreditt, and at the end of the first quarter 2018 such borrowings amounted to NOK 36.2 billion.

Loans to the public, which constitute Nordea Eiendoms kreditt's cover pool, are purchased from Nordea Bank AB (publ), filial i Norge. Instalments, early

redemptions and refinancings will over time reduce the company's loan portfolio. Loans that cease to be a part of the portfolio, are replaced by new purchases of loans from the parent bank, if deemed necessary to maintain the level of overcollateralization, or for other strategic reasons. No new loans have been transferred from the parent bank so far in 2018.

Transferred loans are continued to be managed by Nordea Bank AB, Norwegian Branch. For this service Nordea Eiendoms kreditt has paid an amount of NOK 89.1 million in the first three months of 2018.

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

Nordea Eiendomskreditt AS

Essendropsgt. 7
P.O. Box 1166 Sentrum
0107 Oslo
Tel +47 22 48 50 00
Fax +47 22 48 44 96
www.nordea.com