

# Interim Report 3<sup>rd</sup> quarter 2015

## Nordea Eiendoms kreditt AS

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*Nordea Eiendoms kreditt AS is part of the Nordea group. Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. Nordea is making it possible for the customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 11 million customers, approximately 650 branch office locations and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.*

# Key financial figures

## Summary of income statement (NOKm)

	Jan-Sep 2015	Jan-Sep 2014	Year 2014
<b>Net interest income</b>	<b>1 245</b>	<b>1 567</b>	<b>2 059</b>
Net fee and commission income	33	35	47
Net result from items at fair value	-22	-17	-23
<b>Total operating income</b>	<b>1 256</b>	<b>1 585</b>	<b>2 083</b>
Staff costs	2	2	3
Other expenses	119	117	155
<b>Total operating expenses</b>	<b>121</b>	<b>119</b>	<b>158</b>
Loan losses (negative figures are reversals)	4	16	14
<b>Operating profit</b>	<b>1 132</b>	<b>1 450</b>	<b>1 911</b>
Income tax expense	270	383	553
<b>Net profit for the period</b>	<b>862</b>	<b>1 067</b>	<b>1 358</b>

## Summary of balance sheet (NOKm)

	30 Sep 2015	30 Sep 2014	31 Dec 2014
Loans to the public	97 017	114 136	114 930
Allowance for loan losses	-47	-49	-46
Other assets	6 904	2 887	5 181
Debt securities in issue	80 699	94 846	89 982
Other liabilities	12 856	12 905	20 569
Equity	10 320	9 223	9 514
<b>Total assets</b>	<b>103 874</b>	<b>116 974</b>	<b>120 065</b>
Average total assets	112 771	117 691	117 087

## Ratios and key figures

	30 Sep 2015	30 Sep 2014	31 Dec 2014
Earnings per share (NOK), annualised basis	75.1	93.0	88.6
Equity per share <sup>1</sup> (NOK)	672.9	601.4	620.4
Shares outstanding <sup>1</sup> , million	15.3	15.3	15.3
Post-tax return on average equity	11.6 %	16.6 %	15.4 %
Cost/income ratio	9.6 %	7.5 %	7.6 %
Loan loss ratio, annualised, basis points	0.4	1.9	1.2
Common Equity Tier 1 capital ratio, excl. Basel I floor <sup>1,2</sup>	58.9 %	51.9 %	60.5 %
Tier 1 capital ratio, excl. Basel I floor <sup>1,2</sup>	58.9 %	51.9 %	60.5 %
Total capital ratio, excl. Basel I floor <sup>1,2</sup>	63.9 %	57.0 %	65.5 %
Common Equity Tier 1 capital ratio, incl. Basel I floor <sup>1,2</sup>	21.0 %	15.4 %	17.9 %
Tier 1 capital ratio incl. Basel I floor <sup>1,2</sup>	21.0 %	15.4 %	17.9 %
Total capital ratio incl. Basel I floor <sup>1,2</sup>	22.7 %	17.0 %	19.4 %
Own Funds (NOK mill.) <sup>1,3</sup>	10 128	8 767	10 126
Risk Exposure Amount incl. Basel I floor (NOKm) <sup>1</sup>	44 608	51 701	52 281
Number of employees (full-time equivalents) <sup>1</sup>	1.7	1.7	1.7

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

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

# Nordea Eiendomskreditt AS

*(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 Norge ASA.

## Income statement

Profit from ordinary activities after loan losses but before tax for the first nine months of 2015 was NOK 1 132 million (NOK 1 450 million). The profit reported is equivalent to a post-tax return on average equity of 11.6% (16.6%) on an annualised basis.

Net interest income for the nine months ending 30 September 2015 showed a decrease of 21% compared to the same period last year, and amounted to NOK 1 245 million (NOK 1 567 million). The decrease is partly due to a lower lending portfolio and partly due to lower interest rate margin compared to the first three quarters of 2014.

Total operating expenses for the first nine months amounted to NOK 121 million (NOK 119 million), of which cost related to management of the lending portfolio and customer contact stands for approximately 90%.

Loan losses and provisions recognised in the accounts for the first nine months amounted to NOK 4 million (NOK 16 million). Allocations for individually assessed loans have increased by NOK 1 million, whereas allowances for collectively assessed loans only show small changes during the period. Realised loan losses in the period were NOK 3 million.

Total assets amounted to NOK 103,874 million as of 30 September 2015 (NOK 116,974 million).

## Capital position and risk-weighted exposure

Nordea Eiendomskreditt's Common Equity Tier 1 capital ratio including Basel I rules was at the end of the third quarter, 21.0% excluding profit, an increase of 1.6%-points from the end of the previous quarter. The Tier 1 capital ratio including Basel I rules also increased 1.6%-points to 21.0 % excluding profit. The total capital ratio including Basel I rules increased 1.6 %-points to 22.7% excluding profit.

REA (Risk Exposure Amount, previously referred to as risk-weighted assets) was NOK 44 608 million including

Basel I rules, a decrease of NOK 3 435 million, or 7.1%, compared to the previous quarter. The main driver behind the REA decrease was a reduction in the Basel I floor adjustment.

At the end of the third quarter, Own Funds were NOK 10 128 million, the Tier 1 capital was NOK 9 348 million and the Common Equity Tier 1 capital was also NOK 9 348 million. The Common Equity Tier 1 ratio excluding Basel I rules was 58.9% excluding profit at the end of the third quarter.

## Capital regulation

Nordea is identified as a systemically important institution, and as communicated by the Ministry of Finance on 23 June 2015, the risk buffer was activated at 1% on 1 July 2015. The Ministry of Finance decided on 24 September not to amend the countercyclical buffer rate communicated on 18 June 2015. Hence, the buffer rate applicable from 30 June 2016 will be 1.5%.

## Funding

Nordea Eiendomskreditt's main funding source is issuance of covered bonds. Covered bonds are debt instruments, regulated by the Norwegian Act on Financing Activity and Financial Institutions (Financial Institutions Act), that give investors a preferential claim into a pool of high quality assets in case of the issuer's insolvency. Norwegian covered bonds can only be issued by mortgage credit institutions that holds a licence from the Norwegian FSA and whose articles of association comply with certain mandatory requirements. The cover pool in Nordea Eiendomskreditt consists entirely of Norwegian residential mortgage loans and loans to holiday houses in Norway.

During the first nine months of 2015 Nordea Eiendomskreditt issued covered bonds amounting to NOK 8.9 billion in the Norwegian domestic market under its NOK 100 bn domestic covered bond programme and GBP 125 million under its EUR 10bn EMTN covered bond programme. As of 30 September 2015, Nordea Eiendomskreditt had outstanding covered bonds totalling NOK 64.0 billion in the Norwegian market, USD 1.0 billion in the US market, issued under its USD 10 bn 144a covered bond programme and GBP 0.6 billion in the European market. Nordea Eiendomskreditt also had subordinated debt outstanding to the amount of NOK 0.78 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 Eiendoms kreditt also raised short term unsecured funding from the parent bank. At the end of the third quarter of 2015 such borrowings amounted to NOK 9.4 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 outstanding amounted to NOK 97.0 billion as of 30 September 2015 (NOK 114.1 billion), and consists entirely of residential mortgage loans and loans to holiday houses, that are bought from and managed by Nordea Bank Norge ASA. NOK 86.9 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 13.9% in relation to covered bonds issued.

### Interest rate and currency hedging

The company uses interest rate and currency swaps to hedge interest rate and currency risk. At the close of the third quarter of 2015, the company was party to interest rate swaps with nominal value of NOK 73.8 billion. In accordance with IFRS, fair value changes of interest rate swaps and the corresponding hedged items (fixed-rate lending and fixed-rate issued bonds) due to changes in market rates, are recognised in the profit and loss accounts.

Nordea Eiendoms kreditt issued in 2011 bonds totalling USD 3 billion in the US market, whereof USD 1.0 billion is still outstanding. In 2014 and 2015 the company issued bonds totalling GBP 0.6 billion in the European market. In order to eliminate the foreign exchange risk, the company has entered into currency swaps of the same amounts. Nordea Bank Norge ASA is counterparty to all derivative contracts.

### Impaired loans

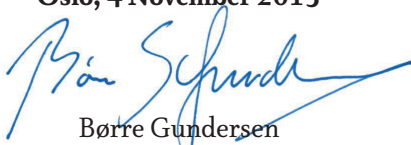
As of 30 September 2015 impaired loans amounted to NOK 47.4 million which corresponds to 0.05% of the total lending portfolio. Individual allowances of NOK 29.0 million have been made, and net impaired loans were NOK 18.3 million at 30 September 2015 compared to NOK 29.2 million at 30 September 2014.

Nordea Eiendoms kreditt AS

Oslo, 4 November 2015



Jon Brenden  
Chairman of the Board



Børre Gundersen  
Board member



Ola Littorin  
Board member



Eva I. E. Jarbekk  
Board member



Alex Madsen  
Board member



Marianne Glatved  
Managing director

## Income statement

NOKt	Note	Jan–Sept 2015	Jan–Sept 2014	Q3 2015	Q3 2014	Year 2014
Interest income on loans and deposits with financial institutions		2 274	3 401	540	1 034	4 452
Interest income on loans to customers		2 590 417	3 300 872	771 146	1 054 257	4 344 016
Other interest income		162	447	52	252	78
<b>Total interest income</b>		<b>2 592 853</b>	<b>3 304 721</b>	<b>771 738</b>	<b>1 055 543</b>	<b>4 348 546</b>
Interest expense on liabilities to financial institutions		165 306	226 248	42 808	61 839	269 157
Interest expense on securities issued		1 375 470	1 615 371	453 481	559 293	2 164 479
Interest expense on subordinated loan capital		29 801	31 616	9 918	10 779	42 207
Other interest expense		-222 497	-135 295	-96 731	-53 442	-186 173
<b>Total interest expense</b>		<b>1 348 080</b>	<b>1 737 940</b>	<b>409 476</b>	<b>578 469</b>	<b>2 289 670</b>
<b>Net interest income</b>		<b>1 244 774</b>	<b>1 566 780</b>	<b>362 263</b>	<b>477 074</b>	<b>2 058 876</b>
Fee and commission income		37 329	38 656	11 718	12 734	51 583
Fee and commission expense		4 393	3 332	1 463	1 285	4 383
<b>Net fee and commission income</b>		<b>32 937</b>	<b>35 324</b>	<b>10 256</b>	<b>11 448</b>	<b>47 201</b>
<b>Net result from items at fair value</b>	3	<b>-21 646</b>	<b>-16 781</b>	<b>-5 459</b>	<b>-7 552</b>	<b>-23 246</b>
<b>Total operating income</b>		<b>1 256 064</b>	<b>1 585 323</b>	<b>367 059</b>	<b>480 970</b>	<b>2 082 830</b>
Staff costs		2 027	1 763	706	612	2 463
Other expenses		118 929	117 320	38 906	40 124	155 245
<b>Total operating expenses</b>		<b>120 955</b>	<b>119 083</b>	<b>39 611</b>	<b>40 736</b>	<b>157 709</b>
<b>Profit before loan losses</b>		<b>1 135 109</b>	<b>1 466 240</b>	<b>327 448</b>	<b>440 234</b>	<b>1 925 122</b>
Loan losses (negative figures are reversals)	4	3 589	16 190	-7 663	3 135	14 135
<b>Operating profit</b>		<b>1 131 520</b>	<b>1 450 050</b>	<b>335 111</b>	<b>437 099</b>	<b>1 910 987</b>
Income tax expense		269 732	383 311	90 479	109 813	552 627
<b>Net profit for the period</b>		<b>861 787</b>	<b>1 066 739</b>	<b>244 631</b>	<b>327 285</b>	<b>1 358 360</b>
<b>Attributable to:</b>						
Shareholder of Nordea Eiendoms kreditt AS		861 787	1 066 739	244 631	327 285	1 358 360
<b>Total</b>		<b>861 787</b>	<b>1 066 739</b>	<b>244 631</b>	<b>327 285</b>	<b>1 358 360</b>
Earnings per share		56.19	69.56	15.95	21.34	88.57

## Statement of comprehensive income

NOKt	Jan–Sep 2015	Jan–Sep 2014	Q3 2015	Q3 2014	Year 2014
<b>Net profit for the period</b>	<b>861 787</b>	<b>1 066 739</b>	<b>244 631</b>	<b>327 285</b>	<b>1 358 360</b>
<b>Items that may be reclassified subsequently to the income statement</b>					
Cash Flow hedges:					
Valuation gains/losses taken to equity	-78 466	178 413	9 343	179 530	181 440
Tax on valuation gains/losses during the period	21 186	-48 172	-2 523	-48 473	-48 989
<b>Items that may not be reclassified subsequently to the income statement</b>					
Defined benefit plans:					
Remeasurement of defined benefit plans	920		243		-4 006
Tax on remeasurement of defined benefit plans	-257		-74		1 082
<b>Other comprehensive income, net of tax</b>	<b>-56 617</b>	<b>130 242</b>	<b>6 988</b>	<b>131 057</b>	<b>129 526</b>
<b>Total comprehensive income</b>	<b>805 171</b>	<b>1 196 981</b>	<b>251 619</b>	<b>458 342</b>	<b>1 487 886</b>
<b>Attributable to:</b>					
Shareholders of Nordea Eiendoms kreditt AS	805 171	1 196 981	251 619	458 342	1 487 886
<b>Total</b>	<b>805 171</b>	<b>1 196 981</b>	<b>251 619</b>	<b>458 342</b>	<b>1 487 886</b>

## Balance sheet

NOKt	Note	30 Sep 2015	30 Sep 2014	31 Dec 2014
<b>Assets</b>				
Loans to credit institutions		49 137	217 626	144 486
Loans to the public	4	96 969 586	114 087 452	114 884 186
Derivatives	6	6 241 430	2 391 140	4 733 675
Fair value changes of the hedged items in portfolio hedge of interest rate risk		72 493	89 475	117 269
Other assets		418 682	12	282
Accrued income and prepaid expenses		122 554	188 619	184 858
<b>Total assets</b>	<b>5</b>	<b>103 873 882</b>	<b>116 974 325</b>	<b>120 064 755</b>
<b>Liabilities</b>				
Deposits by credit institutions <sup>1</sup>		9 445 074	9 924 445	17 053 883
Debt securities in issue <sup>1</sup>		80 943 753	94 845 544	89 981 881
Derivatives	6	293 459	310 000	363 824
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1 687 070	1 166 437	1 710 363
Deferred tax liabilities		82 876	82 797	138 047
Current tax liabilities		305 510	381 959	508 350
Other liabilities		6 028	824	1 911
Accrued expenses and prepaid income		2 164	257 018	2 374
Retirement benefit obligations		5 219	1 839	5 886
Subordinated loan capital <sup>1</sup>		783 190	780 000	783 868
<b>Total liabilities</b>		<b>93 554 343</b>	<b>107 750 861</b>	<b>110 550 387</b>
<b>Equity</b>				
Share capital		1 686 990	1 686 990	1 686 990
Share premium		1 446 637	1 446 637	1 446 637
Other reserves		40 510	97 842	97 127
Retained earnings		7 145 402	5 991 994	6 283 615
<b>Total equity</b>		<b>10 319 539</b>	<b>9 223 463</b>	<b>9 514 368</b>
<b>Total liabilities and equity</b>		<b>103 873 882</b>	<b>116 974 325</b>	<b>120 064 755</b>
Assets pledged as security for own liabilities		86 907 952	106 522 163	103 284 334
Contingent liabilities		1 390	2 255	1 390
Commitments		13 687 822	14 583 742	14 737 493

<sup>1</sup> Accrued interests are from year-end 2014 classified together with underlying balance sheet item. Figures for 30 September 2014 have not been restated, due to immateriality.

## Statement of changes in equity

NOKt	Share capital <sup>1)</sup>	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
<b>Opening balance at 1 Jan 2015</b>	<b>1 686 990</b>	<b>1 446 637</b>	<b>98 963</b>	<b>-1 836</b>	<b>6 283 615</b>	<b>9 514 368</b>
Total comprehensive income			-57 280	663	861 787	805 171
Group contribution paid					-1 314 000	-1 314 000
Group contribution received					1 314 000	1 314 000
<b>Closing balance at 30 Sep 2015</b>	<b>1 686 990</b>	<b>1 446 637</b>	<b>41 683</b>	<b>-1 173</b>	<b>7 145 402</b>	<b>10 319 539</b>

NOKt	Share capital <sup>1)</sup>	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
<b>Opening balance at 1 Jan 2014</b>	<b>1 686 990</b>	<b>1 446 637</b>	<b>-33 488</b>	<b>1 088</b>	<b>4 925 255</b>	<b>8 026 482</b>
Total comprehensive income			132 451	-2 925	1 358 360	1 487 886
Group contribution paid					-486 000	-486 000
Group contribution received					486 000	486 000
<b>Closing balance at 31 Dec 2014</b>	<b>1 686 990</b>	<b>1 446 637</b>	<b>98 963</b>	<b>-1 836</b>	<b>6 283 615</b>	<b>9 514 368</b>

NOKt	Share capital <sup>1)</sup>	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
<b>Opening balance at 1 Jan 2014</b>	<b>1 686 990</b>	<b>1 446 637</b>	<b>-33 488</b>	<b>1 088</b>	<b>4 925 255</b>	<b>8 026 482</b>
Total comprehensive income			130 242		1 066 739	1 196 981
Group contribution paid					-486 000	-486 000
Group contribution received					486 000	486 000
<b>Closing balance at 30 Sep 2014</b>	<b>1 686 990</b>	<b>1 446 637</b>	<b>96 754</b>	<b>1 088</b>	<b>5 991 994</b>	<b>9 223 463</b>

<sup>1</sup> The company's share capital at 30 September 2015 was NOK 1 686 989 590. The number of shares was 15 336 269, each with a quota value of NOK 110. All shares are owned by Nordea Bank Norge ASA.

Nordea Eiendomskreditt AS  
Oslo, 4 November 2015

  
Jon Brenden  
Chairman of the Board

  
Børre Gundersen  
Board member

  
Ola Littorin  
Board member

  
Eva I. E. Jarbekk  
Board member

  
Alex Madsen  
Board member

  
Marianne Glatved  
Managing director

## Cash flow statement

NOKt	Jan-Sep 2015	Jan-Sep 2014	Year 2014
<b>Operating activities</b>			
Operating profit before tax	1 131 520	1 450 050	1 910 987
Adjustments for items not included in cash flow	887	9 174	2 538
Income taxes paid	-349 004	-375 457	-362 868
<b>Cash flow from operating activities before changes in op. assets and liab.</b>	<b>783 403</b>	<b>1 083 767</b>	<b>1 550 657</b>
<b>Changes in operating assets</b>			
Change in loans to the public	17 913 712	2 405 532	1 611 430
Change in derivatives, net	-1 578 120	36 357	-2 252 355
Change in other assets	16 869	18 111	-6 192
<b>Changes in operating liabilities</b>			
Change in deposits by credit institutions	-7 608 399	-10 577 005	-3 448 268
Change in debt securities in issue	-8 826 515	7 015 670	1 695 146
Change in other liabilities	-310 299	350 277	1 109 149
<b>Cash flow from operating activities</b>	<b>390 651</b>	<b>332 707</b>	<b>259 567</b>
<b>Investing activities</b>			
Change in loans and receivables to credit institutions, fixed terms			
Change in holdings of bearer bonds issued by others			
<b>Cash flow from investing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Financing activities</b>			
Group contribution paid	-1 800 000	-675 000	-675 000
Group contribution received	1 314 000	486 000	486 000
Change in subordinated loan capital			
Increase in share capital and share premium			
<b>Cash flow from financing activities</b>	<b>-486 000</b>	<b>-189 000</b>	<b>-189 000</b>
<b>Cash flow for the period</b>	<b>-95 349</b>	<b>143 707</b>	<b>70 567</b>
Cash and cash equivalents at beginning of period	144 486	73 918	73 918
Cash and cash equivalents at end of period	49 137	217 626	144 486
<b>Change</b>	<b>-95 349</b>	<b>143 707</b>	<b>70 567</b>

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



# Notes to the financial statement

## Note 1 Accounting policies

The financial statements of Nordea Eiendoms kreditt AS have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU Commission. In addition, certain complementary rules in the Norwegian Accounting Act with supported regulation have also been applied.

The interim accounts for the period 1 January to 30 September 2015 are presented in accordance with *IAS 34 Interim Financial Reporting*.

### Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2014 Annual Report.

#### Exchange rates

	Jan-Sep 2015	Jan-Sep 2014	Full year 2014
<b>USD 1 = NOK</b>			
Income statement (average)	7.9060	6.1094	6.3069
Balance sheet (at end of period)	8.5017	6.4524	7.4475
<b>GBP 1 = NOK</b>			
Income statement (average)	12.1173	10.1965	10.3748
Balance sheet (at end of period)	12.8971	10.4451	11.6087

## 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 Retail Banking segment of the Nordea Bank Norge group.

## Note 3 Net result from items at fair value

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

NOKt	Jan-Sep 2015	Jan-Sep 2014	Year 2014
Financial instruments held for trading <sup>1</sup>	-1 488		-35 225
Financial instruments under hedge accounting	-20 157	-10 034	23 896
- of which net gains/losses on hedged items	-61 428	-536 429	-1 072 169
- of which net gains/losses on hedging instruments	41 271	526 396	1 096 065
Other financial liabilities		-6 747	-11 917
<b>Total</b>	<b>-21 646</b>	<b>-16 781</b>	<b>-23 246</b>

<sup>1</sup> No assets or liabilities were classified as held for trading other than derivatives held for economic hedging in accordance with IAS 39.

## Note 4 Loans and impairment

### Loan losses

NOKt	Jan-Sep 2015	Jan-Dec 2014	Jan-Sep 2014
Change in allowances for individually assessed loans	1 011	5 992	5 899
Change in allowances for collectively assessed loans	-124	551	3 275
Realised loan losses in the period	2 715	7 592	7 016
Recoveries of loan losses realised previous years	-14		
<b>Total loan losses for the period</b>	<b>3 589</b>	<b>14 135</b>	<b>16 190</b>

### Reconciliation of allowance accounts for impaired loans

NOKt	Jan-Sep 2015			Jan-Dec 2014			Jan-Sep 2014		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
<b>Opening balance at beginning of period</b>	<b>28 016</b>	<b>18 095</b>	<b>46 111</b>	<b>22 023</b>	<b>17 544</b>	<b>39 567</b>	<b>22 023</b>	<b>17 544</b>	<b>39 567</b>
Provisions	4 911	9 735	14 646	14 144	3 275	17 419	12 419	3 275	15 694
Reversals	-2 430	-9 859	-12 289	-1 980	-2 724	-4 704	-1 086		-1 086
<b>Changes through the income statement</b>	<b>2 481</b>	<b>-124</b>	<b>2 357</b>	<b>12 164</b>	<b>551</b>	<b>12 715</b>	<b>11 333</b>	<b>3 275</b>	<b>14 608</b>
Allowances used to cover write-offs	-1 470		-1 470	-6 171		-6 171	-5 434		-5 434
<b>Closing balance at end of period</b>	<b>29 027</b>	<b>17 971</b>	<b>46 998</b>	<b>28 016</b>	<b>18 095</b>	<b>46 111</b>	<b>27 922</b>	<b>20 819</b>	<b>48 741</b>

### Loans and their impairment

NOKt	30 Sep 2015	31 Dec 2014	30 Sep 2014
Loans, not impaired	96 841 788	114 875 825	114 079 028
Impaired loans;	47 416	54 471	57 166
– Performing	12 358	611	2 842
– Non-performing	35 058	53 860	54 324
<b>Loans before allowances</b>	<b>97 016 584</b>	<b>114 930 296</b>	<b>114 136 194</b>
Allowances for individually assessed impaired loans;	-29 027	-28 016	-27 922
– Performing	-5 267	-3 067	-2 868
– Non-performing	-23 760	-24 949	-25 054
Allowances for collectively assessed impaired loans	-17 971	-18 095	-20 819
<b>Allowances</b>	<b>-46 998</b>	<b>-46 111</b>	<b>-48 741</b>
<b>Loans, carrying amount</b>	<b>96 969 586</b>	<b>114 884 186</b>	<b>114 087 452</b>

### Key ratios

	30 Sep 2015	31 Dec 2014	30 Sep 2014
Impairment rate, gross <sup>1</sup> , in %	0.05	0.05	0.05
Impairment rate, net <sup>2</sup> , in %	0.02	0.02	0.03
Total allowance rate <sup>3</sup> , in %	0.05	0.04	0.04
Allowance rate, impaired loans <sup>4</sup> , in %	61.2	51.4	48.8
Total allowances in relation to impaired loans, in %	99.1	84.7	85.3
Non-performing loans, not impaired <sup>5</sup> , in NOKt	271 969	254 981	258 794

<sup>1</sup> Individually assessed impaired loans before allowances divided by total loans before allowances.

<sup>2</sup> Individually assessed impaired loans after allowances divided by total loans before allowances.

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

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

<sup>5</sup> Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

## Note 5 Classification of financial instruments

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

NOKt	Loans and receivables	Assets at fair value through profit and loss – Held for trading <sup>1</sup>	Derivatives used for hedging	Available for sale	Non-financial assets	Total
<b>Assets</b>						
Loans to credit institutions	49 137					49 137
Loans to the public	96 969 586					96 969 586
Derivatives			6 241 430			6 241 430
Fair value changes of the hedged items in portfolio hedge of interest rate risk	72 493					72 493
Other assets	91 000				327 682	418 682
Prepaid expenses and accrued income	122 554					122 554
<b>Total 30 September 2015</b>	<b>97 304 770</b>	<b>0</b>	<b>6 241 430</b>	<b>0</b>	<b>327 682</b>	<b>103 873 882</b>
<b>Total 31 December 2014</b>	<b>115 330 799</b>	<b>0</b>	<b>4 733 675</b>	<b>0</b>	<b>282</b>	<b>120 064 755</b>
<b>Total 30 September 2014</b>	<b>114 583 172</b>	<b>0</b>	<b>2 391 140</b>	<b>0</b>	<b>12</b>	<b>116 974 325</b>

NOKt	Liabilities at fair value through profit and loss – Held for trading <sup>1</sup>	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
<b>Liabilities</b>					
Deposits by credit institutions			9 445 074		9 445 074
Debt securities in issue			80 943 753		80 943 753
Derivatives	77 405	216 054			293 459
Fair value changes of the hedged items in portfolio hedge of interest rate risk			1 687 070		1 687 070
Deferred tax liabilities				82 876	82 876
Current tax liabilities				305 510	305 510
Other liabilities			3 339	2 689	6 028
Accrued expenses and prepaid income				2 164	2 164
Retirement benefit obligations				5 219	5 219
Subordinated loan capital			783 190		783 190
<b>Total 30 September 2015</b>	<b>77 405</b>	<b>216 054</b>	<b>92 862 426</b>	<b>398 458</b>	<b>93 554 343</b>
<b>Total 31 December 2014</b>	<b>85 590</b>	<b>278 234</b>	<b>109 531 288</b>	<b>655 275</b>	<b>110 550 387</b>
<b>Total 30 September 2014</b>	<b>0</b>	<b>310 000</b>	<b>106 973 443</b>	<b>467 419</b>	<b>107 750 861</b>

<sup>1</sup> No assets or liabilities were classified as held for trading other than derivatives held for economic hedging in accordance with IAS 39.

## Note 6 Derivatives and hedge accounting

30 September 2015, NOKt	Fair value		Total nominal amount
	Positive	Negative	
<b>Derivatives held for trading:</b>			
Interest rate swaps	0	77 405	44 500 000
<b>Total</b>	<b>0</b>	<b>77 405</b>	<b>44 500 000</b>
<b>Derivatives used for hedge accounting:</b>			
Interest rate swaps	1 914 486	216 054	29 260 741
Currency interest rate swaps	4 326 944		16 562 421
<b>Total</b>	<b>6 241 430</b>	<b>216 054</b>	<b>45 823 162</b>
<b>Total derivatives</b>	<b>6 241 430</b>	<b>293 459</b>	<b>90 323 162</b>

31 December 2014, NOKt	Fair value		Total nominal amount
	Positive	Negative	
<b>Derivatives held for trading:</b>			
Interest rate swaps		85 590	35 000 000
<b>Total</b>	<b>0</b>	<b>85 590</b>	<b>35 000 000</b>
<b>Derivatives used for hedge accounting:</b>			
Interest rate swaps	2 190 476	278 234	30 356 492
Currency interest rate swaps	2 543 198		10 737 420
<b>Total</b>	<b>4 733 675</b>	<b>278 234</b>	<b>41 093 912</b>
<b>Total derivatives</b>	<b>4 733 675</b>	<b>363 824</b>	<b>76 093 912</b>

30 September 2014, NOKt	Fair value		Total nominal amount
	Positive	Negative	
<b>Derivatives held for trading:</b>			
Interest rate swaps			
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Derivatives used for hedge accounting:</b>			
Interest rate swaps	1 446 367	310 000	64 711 356
Currency interest rate swaps	944 773		11 674 922
<b>Total</b>	<b>2 391 140</b>	<b>310 000</b>	<b>76 386 278</b>
<b>Total derivatives</b>	<b>2 391 140</b>	<b>310 000</b>	<b>76 386 278</b>

## Note 7 Fair value of financial assets and liabilities

NOKt	30 September 2015		31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Loans	97 091 216	99 271 648	115 145 945	115 145 945
Derivatives	6 241 430	6 241 430	4 733 675	4 733 675
Other financial assets	91 000	91 000		
Prepaid expenses and accrued income	122 554	122 554	184 858	184 858
<b>Total financial assets</b>	<b>103 546 202</b>	<b>105 726 633</b>	<b>120 064 479</b>	<b>120 064 479</b>
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial liabilities</b>				
Deposits and debt instruments	92 859 087	93 477 812	109 529 995	110 828 840
Derivatives	293 459	293 459	363 824	363 824
Other financial liabilities	3 339	3 339		
Accrued expenses and prepaid income	663	663	1 293	1 293
<b>Total financial liabilities</b>	<b>93 156 549</b>	<b>93 775 273</b>	<b>109 895 112</b>	<b>111 193 957</b>

The determination of fair value is described in the Annual Report 2014 note 17 Assets and liabilities at fair value.

## Note 8 Financial assets and liabilities measured at fair value on the balance sheet

### Categorisation into fair value hierarchy

	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
<b>30 September 2015, NOKt</b>				
<b>Financial assets<sup>1</sup></b>				
Derivatives		6 241 430		6 241 430
<b>Total assets</b>	<b>0</b>	<b>6 241 430</b>	<b>0</b>	<b>6 241 430</b>
<b>Financial liabilities<sup>1</sup></b>				
Derivatives		293 459		293 459
<b>Total liabilities</b>	<b>0</b>	<b>293 459</b>	<b>0</b>	<b>293 459</b>
	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
<b>31 December 2014, NOKt</b>				
<b>Financial assets<sup>1</sup></b>				
Derivatives		4 733 675		4 733 675
<b>Total assets</b>	<b>0</b>	<b>4 733 675</b>	<b>0</b>	<b>4 733 675</b>
<b>Financial liabilities<sup>1</sup></b>				
Derivatives		363 824		363 824
<b>Total liabilities</b>	<b>0</b>	<b>363 824</b>	<b>0</b>	<b>363 824</b>

<sup>1</sup> 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

Financial assets and liabilities with offsetting positions in market risk and counterparty risk are measured on the basis of the price that would be received to sell the net asset position or paid to transfer the net liability position for that risk exposure. For more information about valuation techniques and inputs used in the fair value measurement, see the Annual Report 2014, 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 three quarters of 2015. When transfers between levels occur, these are considered to have occurred at the end of the reporting period.

## Note 9 Capital adequacy

These figures are according to part 8 of CRR, Capital Requirements Regulation

### Summary of items included in own funds

NOKm	30 Sep 2015	31 Dec 2014 <sup>2</sup>	30 Sep 2014
Calculation of own funds:			
Equity in the consolidated situation	9 458	9 514	8 157
Proposed/actual dividend			
Common Equity Tier 1 capital before regulatory adjustments	9 458	9 514	8 157
Deferred tax assets			
Intangible assets			
IRB provisions shortfall (-) <sup>1</sup>	-68	-69	-73
Deduction for investments in credit institutions (50%)			
Pension assets in excess of related liabilities			
Other items, net	-42	-99	-97
Total regulatory adjustments to Common Equity Tier 1 capital	-110	-168	-170
<b>Common Equity Tier 1 capital (net after deduction)</b>	<b>9 348</b>	<b>9 346</b>	<b>7 987</b>
Additional Tier 1 capital before regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital			
Additional Tier 1 capital			
<b>Tier 1 capital (net after deduction)</b>	<b>9 348</b>	<b>9 346</b>	<b>7 987</b>
Tier 2 capital before regulatory adjustments	780	780	780
IRB provisions excess (+)/shortfall (-) <sup>1</sup>			
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			
Tier 2 capital	780	780	780
<b>Own Funds (net after deduction)</b>	<b>10 128</b>	<b>10 126</b>	<b>8 767</b>

<sup>1</sup> Shortfall is now deducted 100% CET1, previously 50% T1, 50% T2

<sup>2</sup> Including profit for the period

### Own Funds including profit

NOKm	30 Sep 2015 <sup>1</sup>	31 Dec 2014	30 Sep 2014
Common Equity Tier 1 capital, including profit	10 209	9 346	9 053
Total Own Funds, including profit	10 989	10 126	9 833

<sup>1</sup> Net profit

## Note 9 Capital adequacy cont.

### Minimum capital requirement and REA, Risk Exposure Amount

NOKm	30 Sep 2015 Minimum Capital requirement	30 Sep 2015 REA	31 Dec 2014 Minimum Capital requirement	31 Dec 2014 REA	30 Sep 2014 Minimum Capital requirement	30 Sep 2014 REA
<b>Credit risk</b>	<b>1 027</b>	<b>12 836</b>	<b>1 069</b>	<b>13 355</b>	<b>1 062</b>	<b>13 273</b>
– of which counterparty credit risk	107	1 336	86	1 070	48	596
IRB	919	11 490	981	12 256	1 011	12 634
– of which corporate						
– of which advanced						
– of which foundation						
– of which institutions						
– of which retail	919	11 490	981	12 256	1 011	12 633
– of which secured by immovable property collateral	871	10 894	902	11 266	922	11 530
– of which other retail	48	596	79	990	88	1 104
– of which other						1
Standardised	108	1 346	88	1 099	51	640
– of which central governments or central banks						
– of which regional governments or local authorities						
– of which public sector entities						
– of which multilateral development banks						
– of which international organisations						
– of which institutions	108	1 346	88	1 099	51	640
– of which corporate						
– of which retail						
– of which secured by mortgages on immovable property						
– of which in default						
– of which associated with particularly high risk						
– of which covered bonds						
– of which institutions and corporates with a short-term credit assessment						
– of which collective investments undertakings (CIU)						
– of which equity						
– of which other items						
<b>Credit Value Adjustment Risk</b>						
<b>Market risk</b>						
– of which trading book, Internal Approach						
– of which trading book, Standardised Approach						
– of which banking book, Standardised Approach						
<b>Operational risk</b>	<b>220</b>	<b>2 747</b>	<b>168</b>	<b>2 101</b>	<b>168</b>	<b>2 101</b>
Standardised	220	2 747	168	2 101	168	2 101
<b>Additional risk exposure amount due to Article 3 CRR</b>	<b>22</b>	<b>275</b>				
<b>Sub total</b>	<b>1 269</b>	<b>15 858</b>	<b>1 237</b>	<b>15 456</b>	<b>1 230</b>	<b>15 375</b>
<b>Adjustment for Basel I floor</b>						
Additional capital requirement according to Basel I floor <sup>1</sup>	2 300	28 750	2 946	36 825	2 906	36 327
<b>Total</b>	<b>3 569</b>	<b>44 608</b>	<b>4 183</b>	<b>52 281</b>	<b>4 136</b>	<b>51 701</b>

<sup>1</sup> Norwegian regulatory requirement as reported under the Basel II regulation framework

## Note 9 Capital adequacy cont.

### Minimum Capital Requirement & Capital Buffers

Percentage	Minimum Capital requirement	Capital Buffers				Capital Buffers total <sup>1</sup>	Total
		CCoB	CCyB	O-SII	SRB		
Common Equity Tier 1 capital	4.5	2.5	1.0	1.0	3.0	7.5	12.0
Tier 1 capital	6.0	2.5	1.0	1.0	3.0	7.5	13.5
Own funds	8.0	2.5	1.0	1.0	3.0	7.5	15.5

### NOKm

Common Equity Tier 1 capital	2 007	1 115	446	446	1 338	3 346	5 353
Tier 1 capital	2 676	1 115	446	446	1 338	3 346	6 022
Own funds	3 569	1 115	446	446	1 338	3 346	6 914

<sup>1</sup> Only the maximum of the SRB and SII is applicable in computing the total

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

Percentage points of REA	30 Sep <sup>1,2</sup> 2015	31 Dec <sup>1</sup> 2014	30 Sep 2014
Common Equity Tier 1 capital <sup>1</sup>	14.7	38.5	30.1

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

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

### Capital ratios

Percentage	30 Sep 2015	31 Dec 2014	30 Sep 2014
Common Equity Tier 1 capital ratio, including profit	64.4	60.5	58.9
Tier 1 capital ratio, including profit	64.4	60.5	58.9
Total Capital ratio, including profit	69.3	65.5	64.0
Common Equity Tier 1 capital ratio, excluding profit	58.9	51.7	51.9
Tier 1 capital ratio, excluding profit	58.9	51.7	51.9
Total Capital ratio, excluding profit	63.9	56.7	57.0

### Capital ratios including Basel I floor

Percentage	30 Sep 2015	31 Dec 2014	30 Sep 2014
Common Equity Tier 1 capital ratio, including profit	22.9	17.9	17.5
Tier 1 capital ratio, including profit	22.9	17.9	17.5
Total Capital ratio, including profit	24.6	19.4	19.0
Common Equity Tier 1 capital ratio, excluding profit	21.0	15.3	15.4
Tier 1 capital ratio, excluding profit	21.0	15.3	15.4
Total Capital ratio, excluding profit	22.7	16.8	17.0

### Leverage ratio

	30 Sep 2015	31 Dec <sup>1</sup> 2014	30 Sep 2014
Tier 1 capital, transitional definition, NOKm <sup>1</sup>	9 348	9 346	7 987
Leverage ratio exposure, NOKm	117 393	132 111	130 597
Leverage ratio, percentage	8.0	7.1	6.1

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

<sup>2</sup> No reference in Q1.2014 due to Norway not being in CRD IV/CRR



## Note 9 Capital adequacy cont.

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

	On-balance exposure, NOKm	Off-balance exposure, NOKm	Exposure value (EAD), NOKm <sup>1</sup>	of which EAD for off-balance, NOKm	Exposure- weighted average risk weight:
Retail, of which secured by real estate:	94 144	12 509	98 185	4 040	11
– of which scoring grades A	67 709	10 758	71 184	3 475	5
– of which scoring grades B	15 626	1 176	16 006	380	11
– of which scoring grades C	5 160	340	5 270	110	23
– of which scoring grades D	3 187	144	3 234	46	44
– of which scoring grades E	1 302	79	1 327	25	73
– of which scoring grades F	629	10	632	3	115
– of which not scored					
– of which defaulted	531	2	532	1	240
Retail, of which other retail:	2 994	1 180	3 375	381	18
– of which scoring grades A	1 871	958	2 180	309	9
– of which scoring grades B	616	147	664	48	17
– of which scoring grades C	247	38	259	12	31
– of which scoring grades D	118	23	126	7	46
– of which scoring grades E	64	11	68	4	52
– of which scoring grades F	33	2	33	1	76
– of which not scored					
– of which defaulted	45	1	45	0	209
Other non credit-obligation assets:	0		0		100

Nordea does not have the following IRB exposure classes: equity exposures, items representing securitisation positions, central governments and central banks, qualifying revolving retail.

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

## Note 10 Risks and uncertainties

Nordea Eiendomskreditt's sole business activity is lending secured by residential properties and holiday houses, and the company's main risk exposure is 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 Eiendomskreditt is also exposed to risks such as market risk, liquidity risk and operational risk. Further

information on the composition of the company's risk exposure and risk management can be found in the Annual Report for 2014.

The company does not anticipate that the exposures and risks mentioned above will have any material adverse effect on the company over the next three months.

## Note 11 Transactions with related parties

Nordea Eiendomskreditt 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 Eiendomskreditt's normal business activities, are hedged using interest rate and currency swaps. The parent bank, Nordea Bank Norge ASA is counterparty to all derivative contracts. The volume and fair value of the derivative contracts are shown in note 6.

Nordea Bank Norge also provides short term unsecured funding to Nordea Eiendomskreditt, and at the end of the third quarter 2015 such borrowings amounted to NOK 9.4 billion.

Loans to the public, which constitute Nordea Eiendomskreditt's cover pool, are purchased from Nordea Bank Norway. 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. This year to date, loans amounting to NOK 10.1 billion have been transferred from Nordea Bank Norge ASA to Nordea Eiendomskreditt AS.

Transferred loans are continued to be managed by Nordea Bank Norge. For this service Nordea Eiendomskreditt has paid Nordea Bank Norge an amount of NOK 108.0 million in the first nine months of 2015.

Nordea Eiendomskreditt 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 the arm's length principle.

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