

# Interim Report 1<sup>st</sup> quarter 2016

## 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 600 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 the income statement (NOKm)

	Jan-Mar 2016	Jan-Mar 2015	Year 2015
<b>Net interest income</b>	<b>311</b>	<b>480</b>	<b>1 587</b>
Net result from items at fair value	-24	-29	-9
<u>Other income</u>	<u>11</u>	<u>11</u>	<u>44</u>
<b>Total operating income</b>	<b>298</b>	<b>461</b>	<b>1 622</b>
Staff costs	-1	-1	-3
<u>Other expenses</u>	<u>-114</u>	<u>-40</u>	<u>-155</u>
<b>Total operating expenses</b>	<b>-114</b>	<b>-41</b>	<b>-158</b>
Loan losses	2	-0	33
<b>Operating profit</b>	<b>181</b>	<b>421</b>	<b>1 431</b>
<u>Income tax expense</u>	<u>45</u>	<u>78</u>	<u>343</u>
<b>Net profit for the year</b>	<b>136</b>	<b>343</b>	<b>1 088</b>

## Summary of the balance sheet (NOKm)

	31 Mar 2016	31 Mar 2015	31 Dec 2015
Loans to the public	110 143	105 324	106 508
Allowance for loan losses	-74	-45	-76
Other assets	7 949	6 970	8 905
Debt securities in issue	95 206	85 024	81 628
Other liabilities	12 154	17 390	23 158
<u>Equity</u>	<u>10 657</u>	<u>9 836</u>	<u>10 551</u>
<b>Total assets</b>	<b>118 017</b>	<b>112 250</b>	<b>115 337</b>
<u>Average total assets</u>	<u>116 385</u>	<u>116 720</u>	<u>111 789</u>

## Ratios and key figures

	31 Mar 2016	31 Mar 2015	31 Dec 2015
Basic/diluted earnings per share (EPS), annualised basis, NOK	35.5	90.7	71.0
Equity per share, NOK <sup>1</sup>	694.9	641.4	688.0
Shares outstanding <sup>1</sup> , million	15.3	15.3	15.3
Post-tax return on average equity	5.1 %	14.5 %	10.8 %
Cost/income ratio	38.4 %	8.8 %	9.7 %
Loan loss ratio, annualised, basis points	0.8	-0.0	3.1
Common Equity Tier 1 capital ratio, excl. Basel I floor <sup>1,2</sup>	65,0 %	55.9 %	64.1 %
Tier 1 capital ratio, excl. Basel I floor <sup>1,2</sup>	65,0 %	55.9 %	64.1 %
Total capital ratio, excl. Basel I floor <sup>1,2</sup>	69,9 %	60.6 %	68.9 %
Common Equity Tier 1 capital ratio, incl. Basel I floor <sup>1,2</sup>	21,0 %	19.3 %	21.5 %
Tier 1 capital ratio incl. Basel I floor <sup>1,2</sup>	21,0 %	19.3 %	21.5 %
Total capital ratio incl. Basel I floor <sup>1,2</sup>	22,6 %	21.0 %	23.2 %
Own funds (NOK mill.) <sup>1,2</sup>	11 210	10 115	11 224
<u>Risk Exposure Amount incl. Basel I floor, NOK <sup>1</sup></u>	<u>49 702</u>	<u>48 242</u>	<u>48 469</u>

<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 three months of 2016 was NOK 181 million (NOK 421 million). The profit reported is equivalent to a post-tax return on average equity of 5.1% (14.5%) on an annualised basis.

Net interest income for the three months ending 31 March 2016 showed a decrease of 35% compared to the same period last year, and amounted to NOK 311 million (NOK 480 million). The decrease is mainly due to a lower interest rate margin compared to the first quarter of 2015, due to interest rate reductions on the loan stock.

Total operating expenses for the first three months amounted to NOK 114 million (NOK 41 million), of which the major part is related to management of the lending portfolio and customer contact. Due to a changed pricing model for calculating administration fee paid to the parent bank, these expense have increased compared to 2015, and explain the increase in total operating expenses compared to last year.

Loan losses and provisions recognised in the accounts for the first three months amounted to NOK 2 million (reversal of NOK 0.1 million). Allocations for individually assessed loans have decreased 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 118,017 million as of 31 March 2016 (NOK 112,250 million).

## Capital position and risk-weighted exposure

Nordea Eiendomskreditt's common equity tier 1 capital ratio excluding Basel I rules was 65.0% excluding profit at the end of the first quarter, a strengthening of 7.6 percentage points from the end of the previous quarter. Also the tier 1 capital ratio excluding Basel I rules increased 7.6 percentage points to 65.0% excluding profit. The

total capital ratio excluding Basel I rules increased 7.7 percentage points to 69.9 % excluding profit.

Risk Exposure Amount, REA (previously referred to as risk-weighted assets) was NOK 16 041 million excluding Basel I rules, a decrease of NOK 256 million, or 1.6 % compared to the previous quarter. The main driver for the decrease in REA was improved credit quality in IRB retail related to the annual PD-alignment.

The common equity tier 1 ratio including Basel I rules was 21.0 % excluding profit at the end of the first quarter and the own funds was NOK 11 210 million. The tier 1 capital and the common equity Tier 1 capital were NOK 10 430 million (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 Act. No. 17 of 10 April 2015 on Finance Institutions and Financial Conglomerates (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 hold 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 2016 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 500 million under its EUR 10bn EMTN covered bond programme. As of 31 March 2016, Nordea Eiendomskreditt had outstanding covered bonds totalling NOK 72.6 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 1.1 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 Eiendomskreditt also raised short term unsecured funding

from the parent bank. At the end of the first quarter of 2016 such borrowings amounted to NOK 8.2 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 outstanding amounted to NOK 110,1 billion as of 31 March 2016 (NOK 105.3 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 102.2 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 11.1% 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 2016, the company was party to interest rate swaps with nominal value of NOK 74.9 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 Eiendomskreditt issued in 2011 bonds totalling USD 3 billion in the US market, whereof USD 1.0 billion is still outstanding. In 2014, 2015 and 2016 the company issued bonds totalling GBP 1.1 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 31 March 2016 impaired loans amounted to NOK 432.2 million which corresponds to 0.39% of the total lending portfolio. Individual allowances of NOK 30.5 million have been made, and net impaired loans were NOK 401.7 million at 31 March 2016 compared to NOK 21.8 million at 31 March 2015. The increase relates to an improved way of calculating collectively assessed provisions on contract level, which means that from 31 December 2015 also non-performing loans with collectively assessed provisions are included in the volume of impaired loans.

### Change in the Board of Directors

Jon Brenden has left the board in the first quarter of 2016. At the Annual General Meeting at 4 March 2016, Børre Gundersen, Head of Household Strategy & Development Norway was elected new chairman and Øistein Gamst Sandlie, Head of Contact Centre Norway was elected new ordinary board member.

## Nordea Eiendomskreditt AS Oslo, 11 May 2016



Børre Gundersen  
Chairman of the Board



Ola Littorin  
Board member



Eva I. E. Jarbekk  
Board member



Alex Madsen  
Board member



Øistein Gamst Sandlie  
Board member



Marianne Glatved  
Managing director

## Income statement

NOKt	Note	Jan–Mar 2016	Jan–Mar 2015	Year 2015
Interest income on loans and deposits with financial institutions		864	876	6 109
Interest and related income on loans to customers		701 389	952 642	3 298 123
Interest and related income on debt securities		1 896	–	413
Other interest and related income		28	39	1 743
<b>Total interest and related income</b>		<b>704 176</b>	<b>953 557</b>	<b>3 306 388</b>
Interest expense on liabilities to financial institutions		33 025	60 607	206 810
Interest and related expense on securities issued		439 342	472 979	1 787 992
Interest expense on subordinated loan capital		9 316	10 023	39 276
Other interest and related expense <sup>1</sup>		–88 070	–69 595	–314 799
<b>Total interest and related expense</b>		<b>393 613</b>	<b>474 015</b>	<b>1 719 279</b>
<b>Net interest income</b>		<b>310 563</b>	<b>479 542</b>	<b>1 587 109</b>
Fee and commission income		12 213	12 937	49 049
Fee and commission expense		929	2 406	5 412
<b>Net fee and commission income</b>		<b>11 284</b>	<b>10 531</b>	<b>43 637</b>
<b>Net result from items at fair value</b>	3	<b>–24 195</b>	<b>–28 592</b>	<b>–9 152</b>
<b>Total operating income</b>		<b>297 652</b>	<b>461 481</b>	<b>1 621 593</b>
Staff costs		614	714	2 774
Other operating expenses		113 611	39 878	154 920
<b>Total operating expenses</b>		<b>114 225</b>	<b>40 592</b>	<b>157 694</b>
<b>Profit before loan losses</b>		<b>183 427</b>	<b>420 889</b>	<b>1 463 899</b>
Loan losses	4	2 237	–89	33 036
<b>Operating profit</b>		<b>181 190</b>	<b>420 978</b>	<b>1 430 863</b>
Income tax expense		45 298	77 887	342 567
<b>Net profit for the year</b>		<b>135 893</b>	<b>343 091</b>	<b>1 088 296</b>
<b>Attributable to:</b>				
Shareholders of Nordea Eiendoms kreditt AS		135 893	343 091	1 088 296
<b>Total allocation</b>		<b>135 893</b>	<b>343 091</b>	<b>1 088 296</b>
Basic/diluted earnings per share, NOK		8.86	22.37	70.96

<sup>1</sup> Includes net interest income from derivatives, measured at fair value and related to Nordea Eiendoms kreditt's funding. This can have both a positive and negative impact on other interest expense, for further information see Note 1 Accounting policies in the Annual Report 2015.

## Statement of comprehensive income

NOKt	Jan–Mar 2016	Jan–Mar 2015	Year 2015
<b>Net profit for the year</b>	<b>135 893</b>	<b>343 091</b>	<b>1 088 296</b>
<b>Items that may be reclassified subsequently to the income statement</b>			
Cash Flow hedges:			
Valuation gains/losses during the year	–37 908	–28 856	–73 955
Tax on valuation gains/losses during the year	9 477	7 791	21 200
<b>Items that may not be reclassified subsequently to the income statement</b>			
Defined benefit plans:			
Remeasurement of defined benefit plans	–1 196	–101	1 064
Tax on remeasurement of defined benefit plans	299	27	–317
<b>Other comprehensive income, net of tax</b>	<b>–29 328</b>	<b>–21 139</b>	<b>–52 007</b>
<b>Total comprehensive income</b>	<b>106 565</b>	<b>321 953</b>	<b>1 036 289</b>
<b>Attributable to:</b>			
Shareholders of Nordea Eiendoms kreditt AS	106 565	321 953	1 036 289
<b>Total</b>	<b>106 565</b>	<b>321 953</b>	<b>1 036 289</b>

## Balance sheet

NOKt	Note	31 Mar 2016	31 Mar 2015	31 Dec 2015
<b>Assets</b>				
Loans to credit institutions		154 008	1 118 599	143 720
Loans to the public	4	110 068 530	105 279 722	106 432 216
Interest-bearing securities		1 493 100	0	1 498 313
Derivatives	6	5 866 415	5 592 309	6 834 690
Fair value changes of the hedged items in portfolio hedge of interest rate risk		60 968	104 641	64 358
Other assets		250 735	0	243 659
Accrued income and prepaid expenses		123 560	154 615	119 841
<b>Total assets</b>	<b>5</b>	<b>118 017 316</b>	<b>112 249 887</b>	<b>115 336 796</b>
<b>Liabilities</b>				
Deposits by credit institutions		8 170 639	14 104 229	20 027 995
Debt securities in issue		95 206 186	85 024 204	81 628 343
Derivatives	6	941 813	316 665	273 447
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1 746 800	1 631 353	1 601 519
Current tax liabilities		397 378	447 512	352 261
Other liabilities		3 930	2 709	2 738
Accrued expenses and prepaid income		4 380	2 945	2 336
Deferred tax liabilities		99 229	94 451	109 005
Retirement benefit obligations		6 509	5 958	5 194
Subordinated loan capital		783 231	783 539	783 300
<b>Total liabilities</b>		<b>107 360 094</b>	<b>102 413 565</b>	<b>104 786 139</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		15 792	75 988	45 120
Retained earnings		7 371 910	6 283 615	7 371 910
Net profit for the period		135 893	343 091	
<b>Total equity</b>		<b>10 657 222</b>	<b>9 836 321</b>	<b>10 550 657</b>
<b>Total liabilities and equity</b>		<b>118 017 316</b>	<b>112 249 887</b>	<b>115 336 796</b>
Assets pledged as security for own liabilities		102 246 352	94 624 792	96 821 638
Contingent liabilities		869	1 390	869
Commitments		14 220 928	14 187 707	14 123 350

## Statements of changes in equity

NOKt	Share capital <sup>1)</sup>	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
<b>Opening balance at 1 Jan 2016</b>	<b>1 686 990</b>	<b>1 446 637</b>	<b>46 209</b>	<b>-1 089</b>	<b>7 371 910</b>	<b>10 550 657</b>
Total comprehensive income			-28 431	-897	135 893	106 565
Group contribution paid						0
Group contribution received						0
<b>Closing balance at 31 Mar 2016</b>	<b>1 686 990</b>	<b>1 446 637</b>	<b>17 778</b>	<b>-1 986</b>	<b>7 507 803</b>	<b>10 657 222</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 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	0	0	-52 755	747	1 088 296	1 036 289
Group contribution paid					-1 314 000	-1 314 000
Group contribution received					1 314 000	1 314 000
<b>Closing balance at 31 Dec 2015</b>	<b>1 686 990</b>	<b>1 446 637</b>	<b>46 209</b>	<b>-1 089</b>	<b>7 371 910</b>	<b>10 550 657</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 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			-21 065	-74	343 091	321 953
Group contribution paid						0
Group contribution received						0
<b>Closing balance at 31 Mar 2015</b>	<b>1 686 990</b>	<b>1 446 637</b>	<b>77 898</b>	<b>-1 910</b>	<b>6 626 706</b>	<b>9 836 321</b>

<sup>1</sup> The company's share capital at 31 March 2016 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, 11 May 2016

  
Børre Gundersen  
Chairman of the Board

  
Ola Littorin  
Board member

  
Eva I. E. Jarbekk  
Board member

  
Alex Madsen  
Board member

  
Øistein Gamst Sandlie  
Board member

  
Marianne Glatved  
Managing director



## Cash flow statement

NOKt	Jan-Mar 2016	Jan-Mar 2015	Year 2015
<b>Operating activities</b>			
Operating profit before tax	181 190	420 978	1 430 863
Adjustments for items not included in cash flow	-1 197	-1 515	29 469
Income taxes paid	-181	-174 502	-20 815
<b>Cash flow from operating activities before changes in operating assets and liabilities</b>	<b>179 812</b>	<b>244 961</b>	<b>1 439 517</b>
<b>Changes in operating assets</b>			
Change in loans to the public	-3 635 118	9 605 977	8 422 500
Change in interest-bearing securities	5 213	0	-1 498 313
Change in derivatives, net	1 636 641	-905 793	-2 191 391
Change in other assets	-7 405	43 153	-125 448
<b>Changes in operating liabilities</b>			
Change in other liabilities	260 851	19 708	-170 703
<b>Cash flow from operating activities</b>	<b>-1 560 006</b>	<b>9 008 006</b>	<b>5 876 162</b>
<b>Investing activities</b>			
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
<b>Cash flow from investing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Financing activities</b>			
Change in deposits by credit institutions	-11 857 073	-2 949 529	2 974 185
Receipts on issue of debt securities	13 543 512	6 863 636	13 135 385
Payments on redemption of debt securities	-116 145	-11 948 000	-21 500 498
Change in subordinated loan capital			0
Group contribution paid	0	0	-1 800 000
Group contribution received	0	0	1 314 000
Change in subordinated loan capital	0	0	0
Increase in share capital and share premium	0	0	0
<b>Cash flow from financing activities</b>	<b>1 570 294</b>	<b>-8 033 893</b>	<b>-5 876 928</b>
<b>Cash flow for the year</b>	<b>10 288</b>	<b>974 113</b>	<b>-766</b>
Cash and cash equivalents at 1 January	143 720	144 486	144 486
Cash and cash equivalents at 31 December	154 008	1 118 599	143 720
<b>Change</b>	<b>10 288</b>	<b>974 113</b>	<b>-766</b>

### Comments on the cash flow statement

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

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

**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 financial statements of Nordea Eiendomskreditt AS have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU Commission.

The interim accounts for the period 1 January to 31 March 2016 are presented in accordance with *IAS 34 Interim Financial Reporting*.

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 accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2015 Annual Report.

### IFRS amendments implemented during the quarter

The following amendments published by IASB were implemented on 1 January 2016 but have not had any significant impact on Nordea Eiendomskreditt's financial statements:

- IAS 1 "Disclosure Initiative"
- Annual Improvements to IFRSs, 2012–2014 Cycle

#### Exchange rates

	Jan–Mar 2016	Full year 2015	Jan–Mar 2015
<b>USD 1 = NOK</b>			
Income statement (average)	8.6428	8.0624	7.7500
Balance sheet (at end of period)	8.2692	8.8206	8.0895
<b>GBP 1 = NOK</b>			
Income statement (average)	12.3817	12.3230	11.7419
Balance sheet (at end of period)	11.8938	13.0840	11.9669

## Note 2 Segment information

The activities of Nordea Eiendomskreditt 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 Eiendomskreditt AS are judged to be subject to the same risks and yield requirements. Nordea Eiendomskreditt 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–Mar 2016	Jan–Mar 2015	Year 2015
Financial instruments held for trading <sup>1</sup>	-27 369	-4 175	7 202
Financial instruments under hedge accounting	3 174	-24 417	-16 354
– of which net gains/losses on hedged items	-109 307	87 686	115 455
– of which net gains/losses on hedging instruments	112 481	-112 104	-131 809
Other financial liabilities	0	0	0
<b>Total</b>	<b>-24 195</b>	<b>-28 592</b>	<b>-9 152</b>

<sup>1</sup> 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 Loans and impairment

### Net loan losses

NOKt	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Realised loan losses	3 433	1 425	3 580
Allowances to cover realised loan losses	-2 119	-1 379	-1 566
Recoveries on previous realised loan losses	0	0	-14
Provisions	1 329	1 629	43 943
Reversals of previous provisions	-406	-1 764	-12 908
<b>Total loan losses for the period</b>	<b>2 237</b>	<b>-89</b>	<b>33 036</b>

### Reconciliation of allowance accounts for impaired loans

NOKt	Jan-Mar 2016			Jan-Mar 2015			Jan-Dec 2015		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
<b>Opening balance at beginning of period</b>	<b>31 835</b>	<b>43 745</b>	<b>75 580</b>	<b>28 016</b>	<b>18 095</b>	<b>46 111</b>	<b>28 016</b>	<b>18 095</b>	<b>46 111</b>
Provisions	1 194	135	1 329	1 629	0	1 629	8 434	35 509	43 943
Reversals	-406	0	-406	-1 764	0	-1 764	-3 049	-9 859	-12 908
<b>Changes through the income statement</b>	<b>788</b>	<b>135</b>	<b>923</b>	<b>-135</b>	<b>0</b>	<b>-135</b>	<b>5 385</b>	<b>25 650</b>	<b>31 035</b>
Allowances to cover realised loan losses	-2 119	0	-2 119	-1 379	0	-1 379	-1 566	0	-1 566
<b>Closing balance at end of period</b>	<b>30 503</b>	<b>43 880</b>	<b>74 383</b>	<b>26 501</b>	<b>18 095</b>	<b>44 596</b>	<b>31 835</b>	<b>43 745</b>	<b>75 580</b>

### Loans and impairment

NOKt	31 Mar 2016	31 Mar 2015	31 Dec 2015
Loans, not impaired	109 710 729	105 276 030	106 048 409
Impaired loans;	432 184	48 289	459 387
- Performing	23 547	5 157	158 611
- Non-performing	408 637	43 132	300 776
<b>Loans before allowances</b>	<b>110 142 913</b>	<b>105 324 319</b>	<b>106 507 796</b>
Allowances for individually assessed impaired loans;	-30 503	-26 501	-31 835
- Performing	-2 419	-3 293	-612
- Non-performing	-28 085	-23 208	-31 223
Allowances for collectively assessed impaired loans	-43 880	-18 095	-43 745
<b>Allowances</b>	<b>-74 383</b>	<b>-44 596</b>	<b>-75 580</b>
<b>Loans, carrying amount</b>	<b>110 068 530</b>	<b>105 279 723</b>	<b>106 432 216</b>

### Key ratios

	31 Mar 2016	31 Mar 2015	31 Dec 2015
Impairment rate, gross <sup>1</sup> , in %	0.39	0.05	0.43
Impairment rate, net <sup>2</sup> , in %	0.32	0.02	0.36
Total allowance rate <sup>3</sup> , in %	0.07	0.04	0.07
Allowance rate, individually assessed impaired loans <sup>4</sup> , in %	68.89	54.88	61.10
Total allowances in relation to impaired loans, in %	17.21	92.35	16.45
Non-performing loans, not impaired <sup>5</sup> , in NOKt	96 972	305 542	235 574

<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, 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.

NOKt	Loans and receivables	Assets at fair value through profit and loss – Held for trading <sup>1</sup>	Derivatives used for hedging	Non-financial assets	Total
<b>Assets</b>					
Loans to credit institutions	154 008				154 008
Loans to the public	110 068 530				110 068 530
Interest-bearing securities		1 493 100			1 493 100
Derivatives		48	5 866 367		5 866 415
Fair value changes of the hedged items in portfolio hedge of interest rate risk	60 968				60 968
Other assets	250 698			37	250 735
Prepaid expenses and accrued income	123 560				123 560
<b>Total 31 March 2016</b>	<b>110 657 764</b>	<b>1 493 148</b>	<b>5 866 367</b>	<b>37</b>	<b>118 017 316</b>
<b>Total 31 December 2015</b>	<b>107 003 794</b>	<b>1 498 313</b>	<b>6 834 690</b>	<b>0</b>	<b>115 336 796</b>
<b>Total 31 March 2015</b>	<b>106 657 577</b>	<b>433</b>	<b>5 591 876</b>	<b>0</b>	<b>112 249 887</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			8 170 639		8 170 639
Debt securities in issue			95 206 186		95 206 186
Derivatives	68 355	873 458			941 813
Fair value changes of the hedged items in portfolio hedge of interest rate risk			1 746 800		1 746 800
Current tax liabilities				397 378	397 378
Other liabilities				3 930	3 930
Accrued expenses and prepaid income				4 380	4 380
Deferred tax liabilities				99 229	99 229
Retirement benefit obligations				6 509	6 509
Subordinated loan capital			783 231		783 231
<b>Total 31 March 2016</b>	<b>68 355</b>	<b>873 458</b>	<b>105 906 856</b>	<b>511 426</b>	<b>107 360 094</b>
<b>Total 31 December 2015</b>	<b>65 331</b>	<b>208 116</b>	<b>104 041 878</b>	<b>470 813</b>	<b>104 786 139</b>
<b>Total 31 March 2015</b>	<b>94 323</b>	<b>222 342</b>	<b>101 543 325</b>	<b>553 575</b>	<b>102 413 565</b>

<sup>1</sup> 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 6 Derivatives and hedge accounting

31 March 2016, NOKt	Fair value		Total nominal amount
	Positive	Negative	
<b>Derivatives held for trading <sup>1</sup>:</b>			
Interest rate swaps	48	68 355	44 500 000
<b>Total</b>	<b>48</b>	<b>68 355</b>	<b>44 500 000</b>
<b>Derivatives used for hedge accounting:</b>			
Interest rate swaps	2 357 786	219 470	30 393 214
Currency interest rate swaps	3 508 581	653 988	21 649 686
<b>Total</b>	<b>5 866 367</b>	<b>873 457</b>	<b>52 042 900</b>
<b>Total derivatives</b>	<b>5 866 415</b>	<b>941 813</b>	<b>96 542 900</b>

31 December 2015, NOKt	Fair value		Total nominal amount
	Positive	Negative	
<b>Derivatives held for trading <sup>1</sup>:</b>			
Interest rate swaps	31	65 361	44 500 000
<b>Total</b>	<b>31</b>	<b>65 361</b>	<b>44 500 000</b>
<b>Derivatives used for hedge accounting:</b>			
Interest rate swaps	2 062 448	208 086	29 479 610
Currency interest rate swaps	4 772 211		12 262 946
<b>Total</b>	<b>6 834 659</b>	<b>208 086</b>	<b>41 742 556</b>
<b>Total derivatives</b>	<b>6 834 690</b>	<b>273 447</b>	<b>86 242 557</b>

31 March 2015, NOKt	Fair value		Total nominal amount
	Positive	Negative	
<b>Derivatives held for trading <sup>1</sup>:</b>			
Interest rate swaps	433	94 323	47 500 000
<b>Total</b>	<b>433</b>	<b>94 323</b>	<b>47 500 000</b>
<b>Derivatives used for hedge accounting:</b>			
Interest rate swaps	2 217 173	222 342	27 123 506
Currency interest rate swaps	3 374 704		14 970 453
<b>Total</b>	<b>5 591 877</b>	<b>222 342</b>	<b>42 093 960</b>
<b>Total derivatives</b>	<b>5 592 309</b>	<b>316 665</b>	<b>89 593 960</b>

<sup>1</sup> 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 7 Fair value of financial assets and liabilities

NOKt	31 March 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Loans	110 283 506	109 986 224	106 640 294	110 883 566
Interest-bearing securities	1 493 100	1 493 100	1 498 313	1 498 313
Derivatives	5 866 415	5 866 415	6 834 690	6 834 690
Other financial assets	250 698	250 698	243 659	243 659
Prepaid expenses and accrued income	123 560	123 560	119 841	119 841
<b>Total financial assets</b>	<b>118 017 279</b>	<b>117 719 998</b>	<b>115 336 796</b>	<b>119 580 069</b>
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial liabilities</b>				
Deposits and debt instruments	105 906 856	105 892 599	104 041 157	103 954 314
Derivatives	941 813	941 813	273 447	273 447
Other financial liabilities	0	0	0	0
Accrued expenses and prepaid income	664	664	0	0
<b>Total financial liabilities</b>	<b>106 849 333</b>	<b>106 835 075</b>	<b>104 314 604</b>	<b>104 227 761</b>

The determination of fair value is described in the Annual Report 2015, 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>31 March 2016, NOKt</b>				
<b>Financial assets<sup>1</sup></b>				
Interest-bearing securities		1 493 100		1 493 100
Derivatives		5 866 415		5 866 415
<b>Total assets</b>	<b>0</b>	<b>5 866 415</b>	<b>0</b>	<b>5 866 415</b>
<b>Financial liabilities<sup>1</sup></b>				
Derivatives		941 813		941 813
<b>Total liabilities</b>	<b>0</b>	<b>941 813</b>	<b>0</b>	<b>941 813</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 2015, NOKt</b>				
<b>Financial assets<sup>1</sup></b>				
Interest-bearing securities		1 498 313		1 498 313
Derivatives		6 834 690		6 834 690
<b>Total assets</b>	<b>0</b>	<b>8 333 003</b>	<b>0</b>	<b>8 333 003</b>
<b>Financial liabilities<sup>1</sup></b>				
Derivatives		273 447		273 447
<b>Total liabilities</b>	<b>0</b>	<b>273 447</b>	<b>0</b>	<b>273 447</b>

<sup>1</sup> All items are measured at fair value on a recurring basis at the end of each reporting period.

### Determination of fair values for items measured at fair value on the balance sheet

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments, based on independently sourced market parameters as 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 2015, 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 2016. 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	31 Mar 2016	31 Dec <sup>1</sup> 2015	31 Mar 2015
Calculation of own funds:			
Equity in the consolidated situation	10 521	10 551	9 493
Proposed/actual dividend			
Common Equity Tier 1 capital before regulatory adjustments	10 521	10 551	9 493
Deferred tax assets			
Intangible assets			
IRB provisions shortfall (-)	-73	-61	-81
Deduction for investments in credit institutions (50%)			
Pension assets in excess of related liabilities			
Other items, net	-18	-46	-77
Total regulatory adjustments to Common Equity Tier 1 capital	-91	-107	-158
<b>Common Equity Tier 1 capital (net after deduction)</b>	<b>10 430</b>	<b>10 444</b>	<b>9 335</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>10 430</b>	<b>10 444</b>	<b>9 335</b>
Tier 2 capital before regulatory adjustments	780	780	780
IRB provisions excess (+)/shortfall (-)			
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>11 210</b>	<b>11 224</b>	<b>10 115</b>

<sup>1</sup> Including profit

### Own funds including profit

NOKm	31 Mar 2016	31 Dec 2015	31 Mar 2015
Common Equity Tier 1 capital, including profit	10 566	10 444	9 678
Total Own funds, including profit	11 346	11 224	10 458

## Note 9 Capital adequacy cont.

### Minimum capital requirement and REA

	31 Mar 2016	31 Mar 2016	31 Dec 2015	31 Dec 2015	31 Mar 2015	31 Mar 2015
	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
<b>NOKm</b>						
<b>Credit risk</b>	<b>1 034</b>	<b>12 931</b>	<b>1 073</b>	<b>13 415</b>	<b>1 115</b>	<b>13 944</b>
– counterparty credit risk	102	1 271	117	1 456	101	1 266
IRB	930	11 629	954	11 930	996	12 454
– corporate						
– <i>advanced</i>						
– <i>foundation</i>						
– institutions						
– retail	930	11 629	954	11 930	996	12 454
– <i>secured by immovable property collateral</i>	884	11 054	905	11 319	928	11 604
– <i>other retail</i>	46	575	49	611	68	850
– other			0	0	0	0
Standardised	104	1 302	119	1 485	119	1 490
– central governments or central banks						
– regional governments or local authorities						
– public sector entities						
– multilateral development banks						
– international organisations						
– institutions	104	1 302	119	1 485	119	1 490
– corporate						
– retail						
– secured by mortgages on immovable property						
– in default						
– associated with particularly high risk						
– covered bonds						
– institutions and corporates with a short-term credit assessment						
– collective investments undertakings (CIU)						
– equity						
– other items						
<b>Credit Value Adjustment Risk</b>						
<b>Market risk</b>						
– trading book, Internal Approach						
– trading book, Standardised Approach						
– banking book, Standardised Approach						
<b>Operational risk</b>	<b>238</b>	<b>2 977</b>	<b>220</b>	<b>2 747</b>	<b>220</b>	<b>2 747</b>
Standardised	238	2 977	220	2 747	220	2 747
<b>Additional risk exposure amount due to Article 3 CRR</b>	<b>11</b>	<b>133</b>	<b>11</b>	<b>135</b>		
<b>Sub total</b>	<b>1 283</b>	<b>16 041</b>	<b>1 304</b>	<b>16 297</b>	<b>1 335</b>	<b>16 691</b>
<b>Adjustment for Basel I floor</b>						
Additional capital requirement according to Basel I floor	2 693	33 661	2 573	32 172	2 524	31 551
<b>Total</b>	<b>3 976</b>	<b>49 702</b>	<b>3 877</b>	<b>48 469</b>	<b>3 859</b>	<b>48 242</b>



## Note 9 Capital adequacy cont.

### Minimum Capital Requirement & Capital Buffers

Percentage	Minimum Capital requirement	Capital Buffers					Total
		CCoB	CCyB	SII	SRB	Capital Buffers total	
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	2 237	1 243	497	497	1 491	3 728	5 964
Tier 1 capital	2 982	1 243	497	497	1 491	3 728	6 710
Own funds	3 976	1 243	497	497	1 491	3 728	7 704

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

	31 Mar <sup>2</sup> 2016	31 Dec <sup>1,2</sup> 2015	31 Mar 2015
Percentage points of REA			
Common Equity Tier 1 capital <sup>1</sup>	14.6	15.2	37.5

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

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

### Capital ratios

Percentage	31 Mar 2016	31 Dec 2015	31 Mar 2015
Common Equity Tier 1 capital ratio, including profit	65.9	64.1	58.0
Tier 1 capital ratio, including profit	65.9	64.1	58.0
Total Capital ratio, including profit	70.7	68.9	62.7
Common Equity Tier 1 capital ratio, excluding profit	65.0	57.4	55.9
Tier 1 capital ratio, excluding profit	65.0	57.4	55.9
Total Capital ratio, excluding profit	69.9	62.2	60.6

### Capital ratios including Basel I floor

Percentage	31 Mar 2016	31 Dec 2015	31 Mar 2015
Common Equity Tier 1 capital ratio, including profit	21.3	21.5	20.1
Tier 1 capital ratio, including profit	21.3	21.5	20.1
Total Capital ratio, including profit	22.8	23.2	21.7
Common Equity Tier 1 capital ratio, excluding profit	21.0	19.3	19.3
Tier 1 capital ratio, excluding profit	21.0	19.3	19.3
Total Capital ratio, excluding profit	22.6	20.9	21.0

### Leverage ratio

	31 Mar 2016	31 Dec <sup>1</sup> 2015	31 Mar 2015
Tier 1 capital, transitional definition, NOKm <sup>1</sup>	10 430	10 444	9 335
Leverage ratio exposure, NOKm	131 591	130 142	126 289
Leverage ratio, percentage	7.9	8.0	7.4

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

## 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, secured by real estate:	107 167	13 061	111 385	4 219	10
<i>of which</i>					
– <i>scoring grades A</i>	85 803	11 799	89 614	3 811	5
– <i>scoring grades B</i>	11 010	757	11 254	244	11
– <i>scoring grades C</i>	4 923	274	5 011	89	23
– <i>scoring grades D</i>	2 856	142	2 902	46	44
– <i>scoring grades E</i>	1 413	67	1 435	22	74
– <i>scoring grades F</i>	593	16	598	5	115
– <i>not scored</i>					
– <i>defaulted</i>	569	6	571	2	239
Retail, other retail:	3 100	1 160	3 475	375	17
<i>of which</i>					
– <i>scoring grades A</i>	2 284	988	2 604	319	8
– <i>scoring grades B</i>	375	84	402	28	17
– <i>scoring grades C</i>	184	38	196	12	32
– <i>scoring grades D</i>	124	28	133	9	45
– <i>scoring grades E</i>	45	19	51	6	52
– <i>scoring grades F</i>	35	2	36	1	75
– <i>not scored</i>					
– <i>defaulted</i>	53	1	53	0	226

### Other non credit-obligation assets:

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 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 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 2015.

None of the exposures and risks mentioned above are 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 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. 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 Norge also provides short term unsecured funding to Nordea Eiendomskreditt, and at the end of the first quarter 2016 such borrowings amounted to NOK 8.2 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 11.0 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 111.1 million in the first three months of 2016. The fee increase is due to a changed pricing model for calculating the administration fee.

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 market based principles in conformity with OECD requirements on transfer pricing.

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