

Interim Report 3rd quarter 2016

Nordea Eiendoms kreditt AS



Nordea Eiendoms kreditt AS is part of the Nordea group. Nordea is among the ten largest universal banks in Europe in terms of total market capitalisation and has around 11 million customers, 30,000 employees and approximately 600 branch office locations. The Nordea share is listed on the Nasdaq Stockholm, Nasdaq Helsinki and Nasdaq Copenhagen exchanges. We have a broad expertise across the wide range of products, services and solutions that we provide within banking, asset management and insurance. In Nordea we build trusted relationships through our strong engagement with both customers and society.

Key financial figures

Summary of income statement (NOKm)

	Jan-Sep 2016	Jan-Sep 2015	Year 2015
Net interest income	955	1 245	1 587
Net result from items at fair value	1	-22	-9
Other operating income	34	33	44
Total operating income	991	1 256	1 622
Staff costs	-2	-2	-3
Other operating expenses	-348	-119	-155
Total operating expenses	-350	-121	-158
Loan losses (negative figures are reversals)	4	4	33
Operating profit	637	1 132	1 431
Income tax expense	159	270	343
Net profit for the period	478	862	1 088

Summary of balance sheet (NOKm)

	30 Sep 2016	30 Sep 2015	31 Dec 2015
Loans to the public	116 055	97 017	106 508
Allowance for loan losses	-75	-47	-76
Other assets	6 452	6 904	8 905
Debt securities in issue	91 267	80 699	81 628
Other liabilities	21 312	12 856	23 158
Equity	9 854	10 320	10 551
Total assets	122 432	103 874	115 337
Average total assets	120 869	112 771	111 789

Ratios and key figures

	30 Sep 2016	30 Sep 2015	31 Dec 2015
Basic/diluted earnings per share (EPS), annualised basis, NOK	41.5	75.1	71.0
Equity per share ¹ NOK	642.5	672.9	688.0
Shares outstanding ¹ , million	15.3	15.3	15.3
Post-tax return on average equity	6.2 %	11.6 %	10.8 %
Cost/income ratio	35.3 %	9.6 %	9.7 %
Loan loss ratio, annualised, basis points	0.5	0.4	3.1
Common Equity Tier 1 capital ratio, excl. Basel I floor ^{1,2}	59.2 %	58.9 %	64.1 %
Tier 1 capital ratio, excl. Basel I floor ^{1,2}	59.2 %	58.9 %	64.1 %
Total capital ratio, excl. Basel I floor ^{1,2}	67.0 %	63.9 %	68.9 %
Common Equity Tier 1 capital ratio, incl. Basel I floor ^{1,2}	18.1 %	21.0 %	21.5 %
Tier 1 capital ratio incl. Basel I floor ^{1,2}	18.1 %	21.0 %	21.5 %
Total capital ratio incl. Basel I floor ^{1,2}	20.5 %	22.7 %	23.2 %
Own funds, NOKm ^{1,2}	10 584	10 128	11 224
Risk Exposure Amount incl. Basel I floor, NOKm ¹	51 581	44 608	48 469

¹ At the end of the period.

² Excluding the year to date profit for interim figures.

Nordea Eiendoms kreditt AS

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

Nordea Eiendoms kreditt'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 Eiendoms kreditt 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 2016 was NOK 637 million (NOK 1 132 million). The profit reported is equivalent to a post-tax return on average equity of 6.2% (11.6%) on an annualised basis.

Net interest income for the nine months ending 30 September 2016 showed a decrease of 23% compared to the same period last year, and amounted to NOK 955 million (NOK 1 245 million). The decrease is lower than in the first half year, but still mainly explained by a lower interest rate margin this year, due to interest rate reductions on the loan stock.

Total operating expenses for the first nine months amounted to NOK 350 million (NOK 121 million), of which the major part is related to management of the lending portfolio and customer contact, a cost that has increased significantly this year due to a changed pricing model.

Loan losses and provisions recognised in the accounts for the first nine months amounted to NOK 4 million (NOK 4 million). Both allowances for individually assessed loans and allowances for collectively assessed loans show a small decrease during the period. Realised loan losses in the period were close to NOK 5 million.

Total assets amounted to NOK 122,432 million as of 30 September 2016 (NOK 103,874 million).

Capital position and risk exposure amount

Nordea Eiendoms kreditt's Common Equity Tier 1 capital ratio excluding Basel I floor was 59.2% excluding profit at the end of the third quarter, an increase of 3.4%-points from the end of the previous quarter. The Total Capital ratio excluding Basel I floor increased 6.4%-points to 67.0% excluding profit.

Risk Exposure Amount (REA) was NOK 15 801 million excluding Basel I rules, a decrease of NOK 965 million, or 5.8%, compared to the previous quarter. The main drivers for the decrease in REA were the IRB retail portfolio as well as the standardised institutions portfolio.

The Common Equity Tier 1 ratio including Basel I rules was 18.1% excluding profit at the end of the third quarter and the Own Funds was NOK 10 584 million. The Tier 1 capital and the Common Equity Tier 1 capital was NOK 9 354 million (no additional Tier 1 capital).

Regulation

In September the Ministry of Finance decided to recognize other countries countercyclical capital buffer rates for banks' geographical exposures in other EU countries, as basis for calculating the institutional specific capital buffer. The new rules apply from 1 October 2016.

On 30 September, the EEA Joint Committee in Brussel adopted nine decisions by a written procedure incorporating 31 legal acts into the EEA Agreement, all relating to the European financial supervisory framework. Incorporating the regulations establishing the European Financial Supervisory Authorities (ESAs) into the EEA Agreement, allows for future incorporation of numerous acts aimed at rectifying flaws in the pre-crisis financial regulatory framework, and secure continued access for financial undertakings from the EEA EFTA States to the Internal Market. This is expected to entail that the Ministry of Finance in the future can incorporate the CRR/CRD IV as well as other important EU framework.

Liquidity Coverage Ratio (LCR)

For Nordea Eiendoms kreditt combined LCR, as specified by Delegated Act, was 753%, NOK LCR 753% and GBP LCR 0%.

Funding

Nordea Eiendoms kreditt'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 Eiendoms kreditt consists entirely of Norwegian residential mortgage loans and loans to holiday houses in Norway.

During the first nine months of 2016 Nordea Eiendoms kreditt issued covered bonds amounting to NOK 21.7 billion in the Norwegian domestic market under its NOK 100 bn domestic covered bond programme, as well as GBP 512 million and EUR 100 million under its EUR 10bn EMTN covered bond programme. In the same period bonds amounting to NOK 7.5 billion and USD 1 billion have matured or

been bought back. As of 30 September 2016, Nordea Eiendoms kreditt had outstanding covered bonds totalling NOK 78.3 billion in the Norwegian market, GBP 1.1 billion and EUR 100 million in the European market. Nordea Eiendoms kreditt also had subordinated debt outstanding to the amount of NOK 1.98 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 2016 such borrowings amounted to NOK 15.8 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.

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 2016, the company was party to interest rate swaps with nominal value of NOK 80.9 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.

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.

Lending

The gross book value of loans outstanding amounted to NOK 116.1 billion as of 30 September 2016 (NOK 97.0 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 108.2 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 16.6% in relation to covered bonds issued.

Impaired loans

As of 30 September 2016 impaired loans amounted to NOK 438.7 million which corresponds to 0.38% of the total loan portfolio. Individual allowances of NOK 31.4 million have been made, and net impaired loans were NOK 407.3 million at 30 September 2016 compared to NOK 18.4 million at 30 September 2015. The increase relates to an improved way of calculating collectively assessed provisions on contract level, and from 31 December 2015 also non-performing loans with collectively assessed provisions are included in the volume of impaired loans.

Nordea Eiendoms kreditt AS

Oslo, 14 November 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-Sep 2016	Jan-Sep 2015	Q3 2016	Q3 2015	Year 2015
Interest income on loans and deposits with financial institutions		3 047	2 274	1 778	540	6 109
Interest and related income on loans to customers		2 149 799	2 590 417	720 256	771 146	3 298 123
Interest and related income on debt securities		8 714	0	4 117	0	413
Other interest and related income		304	162	93	52	1 743
Total interest and related income		2 161 864	2 592 853	726 244	771 738	3 306 388
Interest expense on liabilities to financial institutions		97 442	165 306	31 574	42 808	206 810
Interest and related expense on securities issued		1 358 213	1 375 470	468 044	453 481	1 787 992
Interest expense on subordinated loan capital		27 826	29 801	9 376	9 918	39 276
Other interest and related expense ¹		-276 594	-222 497	-91 659	-96 731	-314 799
Total interest and related expense		1 206 887	1 348 080	417 335	409 476	1 719 279
Net interest income		954 977	1 244 774	308 909	362 263	1 587 109
Fee and commission income		38 293	37 329	13 319	11 718	49 049
Fee and commission expense		3 865	4 393	1 782	1 463	5 412
Net fee and commission income		34 428	32 937	11 537	10 256	43 637
Net result from items at fair value	3	1 291	-21 646	6 283	-5 459	-9 152
Total operating income		990 697	1 256 064	326 730	367 059	1 621 593
Staff costs		1 711	2 027	595	706	2 774
Other operating expenses		347 899	118 929	117 188	38 906	154 920
Total operating expenses		349 610	120 955	117 782	39 611	157 694
Profit before loan losses		641 087	1 135 109	208 948	327 448	1 463 899
Loan losses	4	3 991	3 589	347	-7 663	33 036
Operating profit		637 096	1 131 520	208 601	335 111	1 430 863
Income tax expense		159 279	269 732	52 150	90 479	342 567
Net profit for the period		477 817	861 787	156 450	244 631	1 088 296
Attributable to:						
Shareholder of Nordea Eiendoms kreditt AS		477 817	861 787	156 450	244 631	1 088 296
Total		477 817	861 787	156 450	244 631	1 088 296

Basic/diluted earnings per share, NOK 31.2 56.2 10.2 16.0 71.0

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

Statement of comprehensive income

NOKt	Jan-Sep 2016	Jan-Sep 2015	Q3 2016	Q3 2015	Year 2015
Net profit for the period	477 817	861 787	156 450	244 631	1 088 296
Items that may be reclassified subsequently to the income statement					
Cash Flow hedges:					
Valuation gains/losses during the period	-128 140	-78 466	-76 878	9 343	-73 955
Tax on valuation gains/losses during the period	32 035	21 186	19 219	-2 523	21 200
Items that may not be reclassified subsequently to the income statement					
Defined benefit plans:					
Remeasurement of defined benefit plans	-1 413	920	-74	243	1 064
Tax on remeasurement of defined benefit plans	353	-257	18	-74	-317
Other comprehensive income, net of tax	-97 165	-56 617	-57 714	6 989	-52 007
Total comprehensive income	380 652	805 170	98 736	251 620	1 036 289
Attributable to:					
Shareholders of Nordea Eiendoms kreditt AS	380 652	805 170	98 736	251 620	1 036 289
Total	380 652	805 170	98 736	251 620	1 036 289

Balance sheet

NOKt	Note	30 Sep 2016	30 Sep 2015	31 Dec 2015
Assets				
Loans to credit institutions		1 430 151	49 137	143 720
Loans to the public	4	115 980 170	96 969 586	106 432 216
Interest-bearing securities		3 183 418	0	1 498 313
Derivatives	6	1 677 751	6 241 430	6 834 690
Fair value changes of the hedged items in portfolio hedge of interest rate risk		39 711	72 493	64 358
Other assets		0	418 682	243 659
Accrued income and prepaid expenses		121 060	122 554	119 841
Total assets	5	122 432 260	103 873 882	115 336 796
Liabilities				
Deposits by credit institutions		15 837 802	9 445 074	20 027 995
Debt securities in issue		91 266 982	80 943 753	81 628 343
Derivatives	6	1 815 306	293 459	273 447
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1 426 243	1 687 070	1 601 519
Current tax liabilities		159 093	305 510	352 261
Other liabilities		3 971	6 028	2 738
Accrued expenses and prepaid income		2 657	2 164	2 336
Deferred tax liabilities		76 548	82 876	109 005
Retirement benefit obligations		6 692	5 219	5 194
Subordinated loan capital		1 983 323	783 190	783 300
Total liabilities	5	112 578 616	93 554 343	104 786 139
Equity				
Share capital		1 686 990	1 686 990	1 686 990
Share premium		1 446 637	1 446 637	1 446 637
Other reserves		-52 045	40 510	45 120
Retained earnings		6 772 062	7 145 402	7 371 910
Total equity		9 853 644	10 319 538	10 550 657
Total liabilities and equity		122 432 260	103 873 882	115 336 796
Assets pledged as security for own liabilities		108 153 292	86 907 952	96 821 638
Contingent liabilities		869	1 390	869
Commitments		14 383 555	13 687 822	14 123 350

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 2016	1 686 990	1 446 637	46 209	-1 089	7 371 910	10 550 657
Total comprehensive income			-96 105	-1 060	477 817	380 652
Group contribution paid					-1 077 665	-1 077 665
Group contribution received					0	0
Closing balance at 30 Sep 2016	1 686 990	1 446 637	-49 897	-2 148	6 772 062	9 853 644

NOKt	Share capital ¹⁾	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
Opening balance at 1 Jan 2015	1 686 990	1 446 637	98 963	-1 836	6 283 615	9 514 368
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
Closing balance at 31 Dec 2015	1 686 990	1 446 637	46 209	-1 089	7 371 910	10 550 657

NOKt	Share capital ¹⁾	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
Opening balance at 1 Jan 2015	1 686 990	1 446 637	98 963	-1 836	6 283 615	9 514 368
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
Closing balance at 30 Sep 2015	1 686 990	1 446 637	41 683	-1 173	7 145 402	10 319 539

¹ The company's share capital at 30 September 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 Eiendoms kreditt AS

Oslo, 14 November 2016


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Chairman of the Board


Ola Littorin
Board member


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Board member


Alex Madsen
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Øistein Gamst Sandlie
Board member


Marianne Glatved
Managing director

Cash flow statement

NOKt	Jan-Sep 2016	Jan-Sep 2015	Year 2015
Operating activities			
Operating profit before tax	637 096	1 131 520	1 430 863
Adjustments for items not included in cash flow	-786	887	29 469
Income taxes paid	-181	-349 004	-20 815
Cash flow from operating activities before changes in op. assets and liab.	636 129	783 403	1 439 517
Changes in operating assets			
Change in loans to the public	-9 547 168	17 913 712	8 422 500
Change in interest-bearing securities	-1 669 485	0	-1 498 313
Change in derivatives, net	6 698 798	-1 578 120	-2 191 391
Change in other assets	251 467	16 869	-125 448
Changes in operating liabilities			
Change in other liabilities	-520 092	-310 299	-170 703
Cash flow from operating activities	-4 150 351	16 825 565	5 876 162
Investing activities			
Purchase/sale of tangible fixed assets			
Change in loans and receivables to credit institutions, fixed terms			
Change in holdings of bearer bonds issued by others			
Cash flow from investing activities	0	0	0
Financing activities			
Change in deposits by credit institutions	-4 190 071	-7 608 399	2 974 185
Receipts on issue of debt securities	26 150 698	12 267 419	13 135 385
Payments on redemption of debt securities	-16 293 844	-21 093 935	-21 500 498
Change in subordinated loan capital	1 200 000		
Group contribution paid	-1 430 000	-1 800 000	-1 800 000
Group contribution received	0	1 314 000	1 314 000
Change in subordinated loan capital			
Increase in share capital and share premium			
Cash flow from financing activities	5 436 782	-16 920 914	-5 876 928
Cash flow for the period	1 286 431	-95 349	-766
Cash and cash equivalents at beginning of period	143 720	144 486	144 486
Cash and cash equivalents at end of period	1 430 151	49 137	143 720
Change	1 286 431	-95 349	-766

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 interim financial statements for the period 1 January to 30 September 2016 are presented in accordance with *IAS 34 Interim Financial Reporting*.

The same accounting policies and methods of computations are followed as compared to the Annual Report 2015. For more information, see Note 1 Accounting Principles in the Annual Report 2015. For changes implemented during 2016, see 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 accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2015 Annual Report. Below follows information on changes in IFRSs implemented and published during the period.

IFRS amendments implemented during the period

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

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

New IFRS standards not yet implemented

IFRS 9 "Financial instruments"

IASB has completed the new standard for financial instruments, IFRS 9 "Financial instruments". IFRS 9 covers classification and measurement, impairment and general hedging and replaces the current requirements covering these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. Earlier application is permitted, but IFRS 9 is not yet endorsed by the EU commission. Nordea does not currently intend to early adopt the standard.

The changes in classification and measurement are not expected to have a significant impact on Nordea Eiendoms kreditt's income statement or balance sheet as the mixed measurement model will be maintained, and as there will still be a measurement category similar to the current Available For Sale (AFS) category in IAS 39. Significant reclassifications between fair value and amortised cost or impact on the capital adequacy and large exposures are not expected in the period of initial application, but this is naturally dependent on the financial instruments on Nordea Eiendoms kreditt's balance sheet at transition.

The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. In general, it is expected that the new requirements will increase loan loss provisions, decrease equity and have a negative impact on capital adequacy, but no impact on large exposures, in the period of initial application. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as guarantees and loan commitments, to be included in the impairment test. Currently Nordea Eiendoms kreditt does not calculate collective provisions for off balance sheet exposures.

The assets to test for impairment will be divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant deterioration in credit risk, stage 2 includes assets where there has been a significant deterioration and stage 3 includes assets that have been individually assessed to be impaired. In stage 1, the provisions should equal the 12 month expected loss. In stage 2 and 3, the provisions should equal the lifetime expected losses.

Nordea's current model for calculating collective provisions defines a loss event as a deterioration in rating/scoring, but it is not expected that the loss event in the current model will equal the trigger event for moving items from stage 1 to stage 2 under IFRS 9. Currently Nordea Eiendoms kreditt does not, in addition, hold any provisions for assets where there has been no deterioration in credit risk. For assets where there has been a significant deterioration in credit risk, Nordea Eiendoms kreditt currently holds provisions based on the losses estimated to occur during the period between the date when the loss event occurred and the date when the loss event is identified on an individual basis, the so called "Emergence period", while IFRS 9 will require provisions equal to the lifetime expected loss. This means total provisions will increase when IFRS 9 is implemented.

The main change to the general hedging requirements is that the standard aligns hedge accounting more closely with the risk management activities. As Nordea Eiendoms kreditt generally uses macro (portfolio) hedge accounting Nordea's assessment is that the new requirements will not have any significant impact on Nordea Eiendoms kreditt's financial statements, capital adequacy, or large exposures in the period of initial application.

Nordea has not yet finalised the impact assessment of the implementation of IFRS 9.

IFRS 15 "Revenue from Contracts with Customers"

The IASB has published the new standard, IFRS 15 "Revenue from Contracts with Customers". The new standard 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 new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The EU-commission is expected to endorse the standard during the fourth quarter 2016. Nordea does not currently intend to early adopt the standard. The standard does not apply to financial instruments, insurance contracts or lease contracts. Nordea has not finalised the investigation of the impact on the financial statements but the current assessment is that the new standard will not have any significant impact on Nordea Eiendoms kreditt's financial statements, capital adequacy, or large exposures in the period of initial application.

Other items

ESMA (the European Securities and Markets Authority) has published a guideline for Alternative Performance Measures. Nordea publishes this information regarding definitions and calculations for Nordea Eiendoms kreditt on the shared site for investor relations at www.nordea.com.

Exchange rates

	Jan-Sep 2016	Full year 2015	Jan-Sep 2015
USD 1 = NOK			
Income statement (average)	8.4066	8.0624	7.9060
Balance sheet (at end of period)	8.0517	8.8206	8.5017

GBP 1 = NOK

Income statement (average)	11.7214	12.3230	12.1173
Balance sheet (at end of period)	10.4369	13.0840	12.8971

EUR 1 = NOK

Income statement (average)	9.3801	-	-
Balance sheet (at end of period)	8.9865	-	-

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 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 2016	Jan-Sep 2015	Year 2015
Financial instruments held for trading ¹	-18 073	-1 488	7 202
Financial instruments under hedge accounting	19 365	-20 157	-16 354
- of which net gains/losses on hedged items	280 376	-61 428	115 455
- of which net gains/losses on hedging instruments	-261 012	41 271	-131 809
Other financial instruments	0	0	0
Total	1 291	-21 646	-9 152

¹No 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-Sep 2016	Jan-Sep 2015	Jan-Dec 2015
Realised loan losses	4 776	2 715	3 580
Allowances to cover realised loan losses	-3 254	-1 470	-1 566
Recoveries on previous realised loan losses	0	-14	-14
Provisions	4 885	14 646	43 943
Reversals of previous provisions	-2 417	-12 289	-12 908
Total loan losses for the period	3 991	3 589	33 036

Reconciliation of allowance accounts for impaired loans

NOKt	Jan-Sep 2016			Jan-Sep 2015			Jan-Dec 2015		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at beginning of period	31 835	43 745	75 580	28 016	18 095	46 111	28 016	18 095	46 111
Provisions	4 640	245	4 885	4 911	9 735	14 646	8 434	35 509	43 943
Reversals	-1 827	-589	-2 417	-2 430	-9 859	-12 289	-3 049	-9 859	-12 908
Changes through the income statement	2 813	-345	2 468	2 481	-124	2 357	5 385	25 650	31 035
Allowances to cover realised loan losses	-3 254	0	-3 254	-1 470	0	-1 470	-1 566	0	-1 566
Closing balance at end of period	31 394	43 400	74 794	29 027	17 971	46 998	31 835	43 745	75 580

Loans and impairment

NOKt	30 Sep 2016	30 Sep 2015	31 Dec 2015
Loans, not impaired	115 616 218	96 969 168	106 048 409
Impaired loans;	438 746	47 416	459 387
- Performing	36 052	12 358	158 611
- Non-performing	402 694	35 058	300 776
Loans before allowances	116 054 964	97 016 584	106 507 796
Allowances for individually assessed impaired loans;	-31 394	-29 027	-31 835
- Performing	-2 781	-5 267	-612
- Non-performing	-28 613	-23 760	-31 223
Allowances for collectively assessed impaired loans	-43 400	-17 971	-43 745
Allowances	-74 794	-46 998	-75 580
Loans, carrying amount	115 980 170	96 969 586	106 432 216

Key ratios

	30 Sep 2016	30 Sep 2015	31 Dec 2015
Impairment rate, gross ¹ , (bsp)	37.8	4.9	43.1
Impairment rate, net ² , (bsp)	35.1	1.9	36.0
Total allowance rate ³ , (bsp)	6.4	4.8	7.1
Allowance rate, individually assessed impaired loans ⁴ , in %	7.2	61.2	6.9
Total allowances in relation to impaired loans ⁵ , in %	17.0	99.1	16.5
Non-performing loans, not impaired ⁶ , in NOKt	113 380	271 969	235 574

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, rate for 31 Dec 2015 has been restated.

⁵ Total allowances divided by gross impaired loans

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

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 ¹	Derivatives used for hedging	Non-financial assets	Total
Assets					
Loans to credit institutions	1 430 151				1 430 151
Loans to the public	115 980 170				115 980 170
Interest-bearing securities		3 183 418			3 183 418
Derivatives		304	1 677 447		1 677 751
Fair value changes of the hedged items in portfolio hedge of interest rate risk	39 711				39 711
Other assets					0
Prepaid expenses and accrued income	120 886			173	121 060
Total 30 September 2016	117 570 918	3 183 722	1 677 447	173	122 432 260
Total 31 December 2015	107 003 794	1 498 313	6 834 690	0	115 336 796
Total 30 September 2015	97 304 770	0	6 241 430	327 682	103 873 882
NOKt	Liabilities at fair value through profit and loss - Held for trading ¹	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions			15 837 802		15 837 802
Debt securities in issue			91 266 982		91 266 982
Derivatives	65 882	1 749 424			1 815 306
Fair value changes of the hedged items in portfolio hedge of interest rate risk			1 426 243		1 426 243
Current tax liabilities				159 093	159 093
Other liabilities				3 971	3 971
Accrued expenses and prepaid income			326	2 331	2 657
Deferred tax liabilities				76 548	76 548
Retirement benefit obligations				6 692	6 692
Subordinated loan capital			1 983 323		1 983 323
Total 30 September 2016	65 882	1 749 424	110 514 675	248 635	112 578 616
Total 31 December 2015	65 331	208 116	104 041 878	470 813	104 786 139
Total 30 September 2015	77 405	216 054	92 862 426	398 458	93 554 343

¹ 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

30 September 2016, NOKt	Fair value		Total nominal amount
	Positive	Negative	
Derivatives held for trading ¹ :			
Interest rate swaps	304	65 882	58 500 000
Total	304	65 882	58 500 000
Derivatives used for hedge accounting:			
Interest rate swaps	1 595 867	135 221	22 433 000
Currency interest rate swaps	81 579	1 614 203	12 765 426
Total	1 677 447	1 749 424	35 198 426
Total derivatives	1 677 751	1 815 306	93 698 426

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

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

¹ 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	30 September 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	117 450 032	118 503 274	106 640 294	110 883 566
Interest-bearing securities	3 183 418	3 183 418	1 498 313	1 498 313
Derivatives	1 677 751	1 677 751	6 834 690	6 834 690
Other financial assets	0	0	243 659	243 659
Prepaid expenses and accrued income	120 763	120 763	119 841	119 841
Total financial assets	122 431 964	123 485 206	115 336 796	119 580 069

	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Deposits and debt instruments	110 514 350	110 651 709	104 041 157	103 954 314
Derivatives	1 815 306	1 815 306	273 447	273 447
Other financial liabilities	0	0	0	0
Accrued expenses and prepaid income	326	326	0	0
Total financial liabilities	112 329 983	112 467 341	104 314 604	104 227 761

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
30 September 2016, NOKt				
Financial assets¹				
Interest-bearing securities		3 183 418		3 183 418
Derivatives		1 677 751		1 677 751
Total assets	0	4 861 169	0	4 861 169

Financial liabilities¹				
Derivatives		1 815 306		1 815 306
Total liabilities	0	1 815 306	0	1 815 306

	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 2015, NOKt				
Financial assets¹				
Interest-bearing securities		1 498 313		1 498 313
Derivatives		6 834 690		6 834 690
Total assets	0	8 333 003	0	8 333 003

Financial liabilities¹				
Derivatives		273 447		273 447
Total liabilities	0	273 447	0	273 447

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 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 three quarters of 2016. When transfers between levels occur, these are considered to have occurred at the end of the reporting period.

Note 9 Capital adequacy

Summary of items included in own funds

NOKm	30 Sep 2016	31 Dec ¹ 2015	30 Sep 2015
Calculation of own funds:			
Equity in the consolidated situation	9 376	10 551	9 458
Proposed/actual dividend			
Common Equity Tier 1 capital before regulatory adjustments	9 376	10 551	9 458
Deferred tax assets			
Intangible assets			
IRB provisions shortfall (-)	-72	-61	-68
Deduction for investments in credit institutions (50%)			
Pension assets in excess of related liabilities			
Other items, net	50	-46	-42
Total regulatory adjustments to Common Equity Tier 1 capital	-22	-107	-110
Common Equity Tier 1 capital (net after deduction)	9 354	10 444	9 348
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)	9 354	10 444	9 348
Tier 2 capital before regulatory adjustments	1 200	780	780
IRB provisions excess (+)	30		
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	30		
Tier 2 capital	1 230	780	780
Own funds (net after deduction)	10 584	11 224	10 128

¹ Including profit for the period

Own Funds, including profit

NOKm	30 Sep 2016	31 Dec 2015	30 Sep 2015
Common Equity Tier 1 capital, including profit	9 832	10 444	10 209
Total Own Funds, including profit	11 062	11 224	10 989

Note 9 Capital adequacy cont.

Minimum Capital requirement and REA

	30 Sep 2016 Minimum Capital requirement	30 Sep 2016 REA	31 Dec 2015 Minimum Capital requirement	31 Dec 2015 REA	30 Sep 2015 Minimum Capital requirement	30 Sep 2015 REA
NOKm						
Credit risk	1 015	12 686	1 073	13 415	1 027	12 836
- of which counterparty credit risk	26	324	117	1 456	107	1 336
IRB	966	12 076	954	11 930	919	11 490
- corporate						
- <i>advanced</i>						
- <i>foundation</i>						
- institutions						
- retail	966	12 075	954	11 930	919	11 490
- <i>secured by immovable property collateral</i>	922	11 520	905	11 319	871	10 894
- <i>other retail</i>	44	556	49	611	48	596
- other	0	0	0	0	0	0
Standardised	49	610	119	1 485	108	1 346
- central governments or central banks						
- regional governments or local authorities						
- public sector entities						
- multilateral development banks						
- international organisations						
- institutions	49	610	119	1 485	108	1 346
- 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						
Credit Value Adjustment Risk						
Market risk						
- trading book, Internal Approach						
- trading book, Standardised Approach						
- banking book, Standardised Approach						
Operational risk	238	2 977	220	2 747	220	2 747
Standardised	238	2 977	220	2 747	220	2 747
Additional risk exposure amount due to Article 3 CRR	11	138	11	135	22	275
Sub total	1 264	15 801	1 304	16 297	1 269	15 858
Adjustment for Basel I floor						
Additional capital requirement according to Basel I floor	2 862	35 780	2 573	32 172	2 300	28 750
Total	4 126	51 581	3 877	48 469	3 569	44 608

Note 9 Capital adequacy cont.

Minimum Capital Requirement & Capital Buffers

Percentage	Minimum Capital requirement	Capital Buffers					Capital Buffers total ²	Total ²
		CCoB	CCyB ¹	CCyB ²	SII	SRB		
Common Equity Tier 1 capital	4.5	2.5	1.5	1.5	2.0	3.0	9.0	13.5
Tier 1 capital	6.0	2.5	1.5	1.5	2.0	3.0	9.0	15.0
Own funds	8.0	2.5	1.5	1.5	2.0	3.0	9.0	17.0

NOKm

Common Equity Tier 1 capital	2 321	1 290	774	774	1 032	1 547	4 642	6 963
Tier 1 capital	3 095	1 290	774	774	1 032	1 547	4 642	7 737
Own funds	4 126	1 290	774	774	1 032	1 547	4 642	8 769

¹ Calculated in accordance with EU legislation (2013/36/EU)

² Calculated in accordance with current Norwegian Regulations. The rules are to be amended from the 1st October 2016

Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	30 Sep ^{1,2}	31 Dec ^{1,2}	30 Sep ^{1,2}
	2016	2015	2015
Common Equity Tier 1 capital	12.1	15.2	14.7

¹ Including profit for the period

² Including Basel I floor

Capital ratios

Percentage	30 Sep	31 Dec	30 Sep
	2016	2015	2015
Common Equity Tier 1 capital ratio, including profit	62.2	64.1	64.4
Tier 1 capital ratio, including profit	62.2	64.1	64.4
Total capital ratio, including profit	70.0	68.9	69.3
Common Equity Tier 1 capital ratio, excluding profit	59.2	57.4	58.9
Tier 1 capital ratio, excluding profit	59.2	57.4	58.9
Total capital ratio, excluding profit	67.0	62.2	63.9

Capital ratios including Basel I floor

Percentage	30 Sep	31 Dec	30 Sep
	2016	2015	2015
Common Equity Tier 1 capital ratio, including profit	19.1	21.5	22.9
Tier 1 capital ratio, including profit	19.1	21.5	22.9
Total capital ratio, including profit	21.4	23.2	24.6
Common Equity Tier 1 capital ratio, excluding profit	18.1	19.3	21.0
Tier 1 capital ratio, excluding profit	18.1	19.3	21.0
Total capital ratio, excluding profit	20.5	20.9	22.7

Leverage ratio

	30 Sep ²	31 Dec ¹	30 Sep
	2016	2015	2015
Tier 1 capital, transitional definition, NOKm	9 354	10 444	9 348
Leverage ratio exposure, NOKm	129 574	130 142	117 393
Leverage ratio, percentage	7.2	8.0	8.0

¹ Including profit for the period

² Leverage ratio as per 30 September 2016 is calculated according to the Delegated Act

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 ¹	of which EAD for off-balance, NOKm	Exposure- weighted average risk weight
Retail, of which secured by real estate:	112 987	13 306	117 285	4 298	10
<i>of which</i>					
- scoring grades A	88 417	11 900	92 261	3 844	5
- scoring grades B	14 068	913	14 363	295	11
- scoring grades C	5 198	280	5 288	90	23
- scoring grades D	2 900	104	2 934	34	44
- scoring grades E	1 349	95	1 379	31	72
- scoring grades F	507	6	509	2	114
- not scored					
- defaulted	547	7	550	2	238
Retail, of which other retail:	3 189	1 078	3 537	348	16
<i>of which</i>					
- scoring grades A	2 329	935	2 631	302	8
- scoring grades B	474	100	506	32	18
- scoring grades C	178	22	185	7	31
- scoring grades D	89	8	92	3	45
- scoring grades E	45	11	48	4	52
- scoring grades F	23	0	23	0	71
- not scored					
- defaulted	51	2	52	1	213
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.

¹ 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 third quarter 2016 such borrowings amounted to NOK 15.8 billion.

Loans to the public, which constitute Nordea Eiendomskreditt's cover pool, are purchased from Nordea Bank 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. This year to date, loans amounting to NOK 37.5 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 339.8 million in the first nine months of 2016.

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 on conformity with OECD requirements on transfer pricing.

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