Interim Report 1st quarter 2017

Nordea Eiendomskreditt AS

Nordea Eiendomskreditt 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, 31,500 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. At Nordea we build trusted relationships through our strong engagement with both customers and society.

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Key financial figures

Summary of income statement (NOKm)

	Jan-Mar 2017	Jan-Mar 2016	Year 2016
Net interest income	**316**	**311**	**1 247**
Net result from items at fair value	-28	-24	-16
Other operating income	13	11	49
Total operating income	**301**	**298**	**1 280**
Staff costs	5	1	-0
Other operating expenses	88	114	462
Total operating expenses	**93**	**114**	**462**
Loan losses (negative figures are reversals)	0	2	1
Operating profit	**207**	**181**	**817**
Income tax expense	52	45	204
Net profit for the period	**156**	**136**	**613**

Summary of balance sheet (NOKm)

	31 Mar 2017	31 Mar 2016	31 Dec 2016
Loans to the public	107 912	110 143	106 008
Allowance for loan losses	-67	-74	-69
Other assets	7 831	7 949	7 673
Debt securities in issue	86 702	95 206	84 252
Other liabilities	16 549	12 154	17 083
Equity	12 425	10 657	12 278
Total assets	**115 676**	**118 017**	**113 613**
Average total assets	113 043	116 385	119 682

Ratios and key figures

	31 Mar 2017	31 Mar 2016	31 Dec 2016
Basic/diluted earnings per share (EPS), annualised basis, NOK	41.1	35.5	39.9
Equity per share [1] NOK	810.2	694.9	800.6
Shares outstanding [1], million	15.3	15.3	15.3
Post-tax return on average equity	5.1 %	5.1 %	6.0 %
Cost/income ratio	30.9 %	38.4 %	36.1 %
Loan loss ratio, annualised, basis points	0.1	0.8	0.1
Common Equity Tier 1 capital ratio, excl. Basel I floor [1, 2]	87.5 %	65.0 %	85.8 %
Tier 1 capital ratio, excl. Basel I floor [1, 2]	87.5 %	65.0 %	85.8 %
Total capital ratio, excl. Basel I floor [1, 2]	96.3 %	69.9 %	94.4 %
Common Equity Tier 1 capital ratio, incl. Basel I floor [1, 2]	25.4 %	21.0 %	25.7 %
Tier 1 capital ratio incl. Basel I floor [1, 2]	25.4 %	21.0 %	25.7 %
Total capital ratio incl. Basel I floor [1, 2]	28.0 %	22.6 %	28.3 %
Own funds, NOKm [1, 2]	13 484	11 210	13 486
Risk Exposure Amount incl. Basel I floor, NOKm [1]	48 220	49 702	47 707
Number of employees (full-time equivalents)[1]	14.0	1.7	1.7

[1] At the end of the period.

[2] Excluding the year to date profit 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 AB (publ).

Income statement
Profit from ordinary activities after loan losses but before tax for the first three months of 2017 was NOK 207 million (NOK 181 million). The profit reported is equivalent to a post-tax return on average equity of 5.1% (5.1%) on an annualised basis.

Net interest income for the three months ending 31 March 2017 showed an increase of 2% compared to the same period last year, and amounted to NOK 316 million (NOK 311 million). The increase is due to higher return on the liquidity portfolio while net interest income from the loan portfolio showed a small decrease due to lower volumes.

Total operating expenses for the first three months amounted to NOK 93 million (NOK 114 million). NOK 5 million of operating expenses is staff related (NOK 0.6 million) and the increase from last year is due to increased staffing from 2 to 16 employees. Other operating expenses are mainly related to management of the lending portfolio and customer contact.

Loan losses and provisions recognised in the accounts for the first three months amounted to NOK 0.4 million (NOK 2 million). Allocations for individually assessed loans have decreased by NOK 0.5 million since year end, while allowances for collectively assessed loans have decreased by NOK 1 million. Realised loan losses in the period were NOK 1.9 million.

Total assets amounted to NOK 115 676 million as of 31 March 2017 (NOK 118 017 million).

Capital position and risk exposure amount
Nordea Eiendomskreditt's Common Equity Tier 1 capital ratio excluding Basel I floor was 87.5% excluding profit at the end of the first quarter, an increase of 6.0 percentage points from the end of the previous quarter. The Total Capital ratio excluding Basel I floor increased 6.1 percentage points to 96.3% excluding profit.

Risk Exposure Amount (REA) was NOK 14 009 million excluding Basel I rules, a decrease of NOK 279 million, 1.9%, compared to the previous quarter. The main drivers for the decrease in REA were the operational risk as well as the standardised institutions portfolio. This was somewhat offset by increased REA in the IRB retail portfolio.

The Common Equity Tier 1 ratio including Basel I rules was 25.4% excluding profit at the end of the first quarter and the Own Funds was NOK 13 484 million. The Tier 1 capital and the Common Equity Tier 1 capital was NOK 12 255 million (no additional Tier 1 capital).

Regulation
On the 2nd of January Nordea Bank Norge ASA was merged into Nordea Bank AB. As a result of this Nordea Eiendomskreditt AS is no longer deemed to be an "Other Systemically Important Institution" (O-SII).

Funding
Nordea Eiendomskreditt's main funding source is issuance of covered bonds. Covered bonds are debt instruments, regulated by the Financial Undertakings Act (Act. No. 17 of 10 April 2015, Norwegian: Finansforetaksloven), that gives investors a preferential claim into a pool of high quality assets in case of the issuer's insolvency. Norwegian covered bonds can only be issued by mortgage credit institutions that 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 2017 Nordea Eiendomskreditt issued covered bonds amounting to NOK 2.2 billion in the Norwegian domestic market under its NOK 100bn domestic covered bond programme. As of 31 March 2017, Nordea Eiendomskreditt had outstanding covered bonds totalling NOK 73.1 billion in the Norwegian market, GBP 1.1 billion in the British market and EUR 0.1 billion in the European market. Nordea Eiendomskreditt also had subordinated debt outstanding to the amount of NOK 1.2 billion.

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

In addition to the long term funding, Nordea Eiendomskreditt also raised short term unsecured funding from the parent bank. At the end of the first quarter of 2017 such borrowings amounted to NOK 12.3 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 107.9 billion as of 31 March 2017 (NOK 110.1 billion), and consists entirely of residential mortgage loans and loans to holiday houses, that are bought from and managed by Nordea Bank AB (publ), filial i Norge. NOK 100.3 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 14.2% 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 2017, the company was party to interest rate swaps with nominal value of NOK 73.4 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 in foreign currencies (NOK 14.2 billion). Counterparties to all derivative contracts are within the Nordea group.

Impaired loans
As of 31 March 2017 impaired loans amounted to NOK 403.3 million which corresponds to 0.37% of the total lending portfolio. Individual allowances of NOK 27.5 million have been made, and net impaired loans were NOK 375.8 million at 31 March 2017 compared to NOK 401.7 million at 31 March 2016.

Nordea Eiendomskreditt AS
Oslo, 10 May 2017

John Arne Sætre Chairman	Nicklas Ilebrand Vice Chairman	Ola Littorin Board member
Marte Kopperstad Board member	Eva I. E. Jarbekk Board member	Alex Madsen Board member

Børre Sten Gundersen
Chief Executive Officer

Income statement

NOKt	Note	Jan-Mar 2017	Jan-Mar 2016	Year 2016
Interest income on loans and deposits with financial institutions		346	864	3 677
Interest and related income on loans to customers		675 103	701 389	2 849 870
Interest and related income on debt securities		13 273	1 896	14 191
Other interest and related income		42	28	1
Total interest and related income		**688 765**	**704 176**	**2 867 738**
Interest expense on liabilities to financial institutions		30 229	33 025	134 487
Interest and related expense on securities issued		391 547	439 342	1 767 267
Interest expense on subordinated loan capital		9 274	9 316	43 051
Other interest and related expense[1]		-58 310	-88 070	-323 758
Total interest and related expense		**372 740**	**393 613**	**1 621 048**
Net interest income		**316 024**	**310 563**	**1 246 690**
Fee and commission income		13 581	12 213	52 404
Fee and commission expense		744	929	3 510
Net fee and commission income		**12 837**	**11 284**	**48 894**
Net result from items at fair value	3	**-28 206**	**-24 195**	**-16 116**
Total operating income		**300 655**	**297 652**	**1 279 468**
Staff costs		4 772	614	-60
Other operating expenses		88 102	113 611	462 123
Total operating expenses		**92 873**	**114 225**	**462 063**
Profit before loan losses		**207 781**	**183 427**	**817 405**
Loan losses	4	353	2 237	544
Operating profit		**207 429**	**181 190**	**816 860**
Income tax expense		51 857	45 298	204 226
Net profit for the period		**155 572**	**135 893**	**612 635**
Attributable to:				
Shareholder of Nordea Eiendomskreditt AS		155 572	135 893	612 635
Total		**155 572**	**135 893**	**612 635**
Basic/diluted earnings per share, NOK		10.14	8.86	39.95

[1] Includes net interest income from derivatives, measured at fair value and related to Nordea Eiendomskreditt's funding. This can have both a positive and negative impact on other interest expense, for further information see Note 1 Accounting policies in the Annual Report 2016.

Statement of comprehensive income

NOKt	Jan-Mar 2017	Jan-Mar 2016	Year 2016
Net profit for the period	**155 572**	**135 893**	**612 635**
Items that may be reclassified subsequently to the income statement			
Cash Flow hedges:			
Valuation gains/losses during the period	-11 192	-37 908	-139 132
Tax on valuation gains/losses during the period	2 798	9 477	34 783
Items that may not be reclassified subsequently to the income statement			
Defined benefit plans:			
Remeasurement of defined benefit plans	-7	-1 196	-4 721
Tax on remeasurement of defined benefit plans	2	299	1 180
Other comprehensive income, net of tax	**-8 399**	**-29 328**	**-107 889**
Total comprehensive income	**147 172**	**106 565**	**504 745**
Attributable to:			
Shareholders of Nordea Eiendomskreditt AS	147 172	106 565	504 745
Total	**147 172**	**106 565**	**504 745**

Balance sheet

NOKt	Note	31 Mar 2017	31 Mar 2016	31 Dec 2016
Assets				
Loans to credit institutions		138 986	154 008	155 900
Loans to the public	4	107 845 279	110 068 530	105 939 338
Interest-bearing securities	8	5 757 037	1 493 100	5 757 776
Derivatives	6, 8	1 766 853	5 866 415	1 613 137
Fair value changes of the hedged items in portfolio hedge of interest rate risk		31 509	60 968	29 036
Other assets		17 909	250 735	154
Accrued income and prepaid expenses		118 818	123 560	117 385
Total assets	**5**	**115 676 391**	**118 017 316**	**113 612 726**
Liabilities				
Deposits by credit institutions		12 291 267	8 170 639	12 752 409
Debt securities in issue		86 701 765	95 206 186	84 251 822
Derivatives	6, 8	1 697 406	941 813	1 794 382
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1 020 038	1 746 800	1 047 646
Current tax liabilities		245 749	397 378	193 892
Other liabilities		2 969	3 930	2 637
Accrued expenses and prepaid income		3 313	4 380	1 050
Deferred tax liabilities		80 501	99 229	83 301
Retirement benefit obligations		8 190	6 509	7 540
Subordinated loan capital		1 200 284	783 231	1 200 310
Total liabilities		**103 251 481**	**107 360 094**	**101 334 989**
Equity				
Share capital		1 702 326	1 686 990	1 702 326
Share premium		3 731 301	1 446 637	3 731 301
Other reserves		-71 169	15 792	-62 770
Retained earnings		6 906 880	7 371 910	6 906 880
Net profit for the period		155 572	135 893	
Total equity		**12 424 910**	**10 657 222**	**12 277 737**
Total liabilities and equity		**115 676 391**	**118 017 316**	**113 612 726**
Assets pledged as security for own liabilities		100 300 365	102 246 352	98 523 242
Contingent liabilities		704	869	704
Commitments		13 607 413	14 220 928	13 660 782

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 2017	**1 702 326**	**3 731 301**	**-58 140**	**-4 629**	**6 906 880**	**12 277 737**
Total comprehensive income			-8 394	-5	155 572	147 172
Group contribution paid						0
Group contribution received						0
Closing balance at 31 Mar 2017	**1 702 326**	**3 731 301**	**-66 535**	**-4 634**	**7 062 452**	**12 424 910**

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	0	0	-104 349	-3 540	612 635	504 745
Group contribution paid					-1 077 665	-1 077 665
Group contribution received					0	0
Increase of share capital	15 336	2 284 664				2 300 000
Closing balance at 31 Dec 2016	**1 702 326**	**3 731 301**	**-58 140**	**-4 629**	**6 906 880**	**12 277 737**

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			-28 431	-897	135 893	106 565
Group contribution paid						0
Group contribution received						0
Closing balance at 31 Mar 2016	**1 686 990**	**1 446 637**	**17 778**	**-1 986**	**7 507 803**	**10 657 222**

[1] The company's share capital at 31 March 2017 was NOK 1.702.325.859,-. The number of shares was 15.336.269, each with a quota value of NOK 111,-. All shares are owned by Nordea Bank AB (publ).

Nordea Eiendomskreditt AS

Oslo, 10 May 2017

John Arne Sætre
Chairman

Nicklas Ilebrand
Vice Chairman

Ola Littorin
Board member

Marte Kopperstad
Board member

Eva I. E. Jarbekk
Board member

Alex Madsen
Board member

Børre Sten Gundersen
Chief Executive Officer

Cash flow statement

NOKt	Jan-Mar 2017	Jan-Mar 2016	Year 2016
Operating activities			
Operating profit before tax	207 429	181 190	816 860
Adjustments for items not included in cash flow	-1 564	-1 197	-6 924
Income taxes paid	0	-181	-0
Cash flow from operating activities before changes in operating assets and liabilities	**205 865**	**179 812**	**809 936**
Changes in operating assets			
Change in loans to the public	-1 904 377	-3 635 118	499 802
Change in interest-bearing securities	9 750	5 213	-4 229 237
Change in derivatives, net	-250 692	1 636 641	6 742 488
Change in other assets	-30 672	-7 405	251 057
Changes in operating liabilities			
Change in other liabilities	132 620	260 851	-770 930
Cash flow from operating activities	**-1 837 506**	**-1 560 006**	**3 303 116**
Investing activities			
Purchase/sale of tangible fixed assets	0	0	0
Change in loans and receivables to credit institutions, fixed terms	0	0	0
Change in holdings of bearer bonds issued by others	0	0	0
Cash flow from investing activities	**0**	**0**	**0**
Financing activities			
Change in deposits by credit institutions	-459 340	-11 857 073	-7 282 227
Receipts on issue of debt securities	2 348 133	13 543 512	26 407 183
Payments on redemption of debt securities	-68 200	-116 145	-23 705 891
Change in subordinated loan capital	0	0	420 000
Group contribution paid	0	0	-1 430 000
Group contribution received	0	0	0
Increase in share capital and share premium	0	0	2 300 000
Cash flow from financing activities	**1 820 593**	**1 570 294**	**-3 290 935**
Cash flow for the year	**-16 914**	**10 288**	**12 181**
Cash and cash equivalents at 1 January	155 900	143 720	143 720
Cash and cash equivalents at end of the period	138 986	154 008	155 900
Change	**-16 914**	**10 288**	**12 180**

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 31 March 2017 are presented in accordance with IAS 34 Interim Financial Reporting. In addition, certain complementary rules in the Norwegian Accounting Act with supported regulation have also been applied.

The same accounting policies and methods of computations are followed as compared to the Annual Report 2016, for more information see Note 1 Accounting Principles in the Annual Report 2016. No changes have been implemented during 2017.

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.

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 hedge accounting 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. The standard is endorsed by the EU-commission. Earlier application is permitted, but Nordea Eiendomskreditt does not intend to early adopt the standard, or to restate the comparative figures for 2017 in the annual report 2018 due to IFRS 9.

Classification and measurement
The classification and measurement requirements in IFRS 9 states that financial assets should be classified as and measured at amortised cost, fair value through profit and loss or fair value through other comprehensive income. The classification of a financial instrument is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

In order to assess the business model, Nordea Eiendomskreditt has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea Eiendomskreditt has taken the current business area structure into account. When determining the business model for each portfolio Nordea Eiendomskreditt has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

Nordea Eiendomskreditt has analysed whether the cash flows from the financial assets held as of 31 December 2015 are SPPI compliant. This has been performed by grouping contracts which are homogenous from a cash flow perspective and conclusions have been drawn for all contracts within that group.

The analysis of the business model and the SPPI review described above have not resulted in any significant changes compared to how the financial instruments are measured under IAS 39. No significant impact is thus expected on Nordea Eiendomskreditt's financial position, financial performance or equity in the period of initial application. No significant impact on the capital adequacy, large exposures, risk management or alternative performance measures are expected in the period of initial application. These tentative conclusions are naturally dependent on the financial instruments on Nordea Eiendomskreditt's balance sheet at transition.

Impairment
The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. The scope of IFRS 9 impairment requirements is also broader than IAS 39. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as off-balance commitments including guarantees and loan commitments, to be included in the impairment test. Currently Nordea Eiendomskreditt does not calculate collective provisions for off balance sheet exposures or the financial instruments classified into the measurement category AFS.

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 increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Significant assets in stage 3 are tested for impairment on an individual basis, while for insignificant assets a collective assessment is performed. 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.

One important driver for size of provisions under IFRS 9 is the trigger for transferring an asset from stage 1 to stage 2. Nordea Eiendomskreditt has yet to decide what parameters to use for identifying the increase in credit risk and how much these parameters need to change in order to constitute a "significant increase". For assets held at transition, Nordea Eiendomskreditt has tentatively decided to use the change in internal rating and scoring data to determine whether there has been a significant increase in credit risk or not. For assets to be recognised going forward, changes to the lifetime Probability of Default (PD) will be used as the trigger.

Nordea Eiendomskreditt has concluded it is not possible to calculate the lifetime PDs at origination without undue cost or effort and without the use of hindsight for assets already recognised on the balance sheet at transition. For assets evaluated based on lifetime PDs, Nordea Eiendomskreditt has tentatively decided to use a mix of absolute and relative changes in PD as the transfer criterion. In addition, customers with forbearance measures and customers with payments more than thirty days past due will also be transferred to stage 2. Nordea Eiendomskreditt has not yet determined the threshold for the change in rating, scoring and PDs when assessing whether it is significant or not.

Nordea Eiendomskreditt'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 triggering event for moving items from stage 1 to stage 2 under IFRS 9.

The provisions under IFRS 9 will be calculated as the exposure at default, times the probability of default, times the loss given default. For assets in stage 1 this calculation will only be based on the coming 12 months, while it for assets in stage 2 will be based on the expected lifetime of the asset.

For assets where there has been a significant increase in credit risk, Nordea Eiendomskreditt 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.

When calculating lifetime losses under IFRS 9, including the staging assessment, the calculation should be based on probability weighted forward looking information. Nordea Eiendomskreditt has tentatively decided to apply three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios will be used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario will be recognised as provisions.

It is expected that the new requirements will increase loan loss provisions and decrease equity in the period of initial application. It is not expected to have any material impact on large exposures. The impact on capital adequacy is not possible to determine as it is expected the Basel committee will issue new rules for the transition to IFRS 9, but these are not yet final. It is furthermore expected that the long term effects, once the transitional rules become obsolete, will be negative on capital adequacy, as the reduction in equity is expected to reduce CET 1 capital. It is however not expected the full increase in provisions will decrease CET 1 capital as there are mitigating effects, for instance the current shortfall deduction that are expected to be reduced when provisions are calculated under IFRS 9.

Impairment calculations under IFRS 9 will require more experienced credit judgements by the reporting entities than is required by IAS 39 today and a higher subjectivity is thus introduced. The inclusion of forward looking information adds complexity and makes provisions more dependent on management's view of the future economic outlook. It is expected that the impairment calculations under IFRS 9 will be more volatile and pro-cyclical than under IAS 39, mainly due to the significant subjectivity applied in the forward looking scenarios.

Hedge accounting

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

Nordea Eiendomskreditt's tentative conclusion is to continue using the IAS 39 hedge accounting requirements also after IFRS 9 has been implemented, but that remains to be confirmed.

IFRS 15 "Revenue from Contracts with Customers"

The IASB published the new standard, IFRS 15 "Revenue from Contracts with Customers" in 2014. Clarifications to the standard were published in April 2016. 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 standard was endorsed by the EU-commission in 2016 and the clarifications are expected to be endorsed in 2017. Nordea Eiendomskreditt does not currently intend to early adopt the standard. The standard does not apply to financial instruments, insurance contracts or lease contracts. Nordea Eiendomskreditt 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 Eiendomskreditt's financial statements, capital adequacy, or large exposures in the period of initial application.

Other amendments to IFRS

Other amendments to IFRS are not assessed to have any significant impact on Nordea Eiendomskreditt'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 Eiendomskreditt on the shared site for investor relations at www.nordea.com.

Exchange rates

USD 1 = NOK	Jan-Mar 2017	Full year 2016	Jan-Mar 2016
Income statement (average)	8.4403	8.4011	8.6428
Balance sheet (at end of period)	8.5757	8.6200	8.2692
GBP 1 = NOK			
Income statement (average)	10.4471	11.3922	12.3817
Balance sheet (at end of period)	10.7165	10.6126	11.8938
EUR 1 = NOK			
Income statement (average)	8.9883	9.2943	-
Balance sheet (at end of period)	9.1683	9.0863	-

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 Personal Banking Business Area in Nordea.

Note 3 Net result from items at fair value

Net gains/losses for categories of financial instruments

NOKt	Jan-Mar 2017	Jan-Mar 2016	Year 2016
Financial instruments held for trading [1]	-8 409	-27 369	-3 457
Financial instruments under hedge accounting	-19 797	3 174	-12 660
- of which net gains/losses on hedged items	40 541	-109 307	607 901
- of which net gains/losses on hedging instruments	-60 337	112 481	-620 561
Other financial instruments	0	0	0
Total	**-28 206**	**-24 195**	**-16 116**

[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 4 Loans and impairment

Net loan losses

NOKt	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Realised loan losses	1 917	3 433	7 571
Allowances to cover realised loan losses	-1 902	-2 119	-5 920
Recoveries on previous realised loan losses	0	0	0
Provisions	1 979	1 329	6 824
Reversals of previous provisions	-1 641	-406	-7 931
Total loan losses for the period	**353**	**2 237**	**544**

Reconciliation of allowance accounts for impaired loans

NOKt	Jan-Mar 2017			Jan-Mar 2016			Jan-Dec 2016		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at beginning of period	**28 017**	**40 639**	**68 656**	**31 835**	**43 745**	**75 580**	**31 835**	**43 745**	**75 580**
Provisions	1 979	0	1 979	1 194	135	1 329	6 579	245	6 824
Reversals	-622	-1 019	-1 641	-406	0	-406	-4 581	-3 350	-7 931
Changes through the income statement	**1 357**	**-1 019**	**338**	**788**	**135**	**923**	**1 999**	**-3 106**	**-1 107**
Allowances to cover realised loan losses	-1 902	0	-1 902	-2 119	0	-2 119	-5 817	0	-5 817
Closing balance at end of period	**27 472**	**39 620**	**67 091**	**30 503**	**43 880**	**74 383**	**28 017**	**40 639**	**68 656**

Loans and impairment

NOKt	31 Mar 2017	31 Mar 2016	31 Dec 2016
Loans, not impaired	107 509 108	109 710 729	105 573 899
Impaired loans;	403 263	432 184	434 095
- Servicing	24 794	23 547	39 693
- Non-servicing	378 468	408 637	394 402
Loans before allowances	**107 912 371**	**110 142 913**	**106 007 994**
Allowances for individually assessed impaired loans;	-27 472	-30 503	-28 017
- Servicing	-2 211	-2 419	-2 813
- Non-servicing	-25 261	-28 085	-25 204
Allowances for collectively assessed impaired loans	-39 620	-43 880	-40 639
Allowances	**-67 092**	**-74 383**	**-68 656**
Loans, carrying amount	**107 845 279**	**110 068 530**	**105 939 338**

Key ratios

	31 Mar 2017	31 Mar 2016	31 Dec 2016
Impairment rate, gross[1], (bsp)	37.4	39.2	40.9
Impairment rate, net[2], (bsp)	31.2	32.5	34.5
Total allowance rate[3], (bsp)	6.2	6.8	6.5
Allowance rate, individually assessed impaired loans[4], in %	6.8	7.1	6.5
Total allowances in relation to impaired loans[5], in %	16.64	17.2	15.8
Non-servicing loans, not impaired[6], in NOKt	98 647	96 972	77 298

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

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

[3] Total allowances divided by total loans before allowances.

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

[5] Total allowances divided by gross impaired loans

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

Note 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	138 986				138 986
Loans to the public	107 845 279				107 845 279
Interest-bearing securities		5 757 037			5 757 037
Derivatives			1 766 853		1 766 853
Fair value changes of the hedged items in portfolio hedge of interest rate risk	31 509				31 509
Other assets	17 909				17 909
Prepaid expenses and accrued income	118 024			794	118 818
Total 31 March 2017	**108 151 707**	**5 757 037**	**1 766 853**	**794**	**115 676 391**
Total 31 December 2016	**106 241 659**	**5 758 726**	**1 612 186**	**154**	**113 612 726**
Total 31 March 2016	**110 657 764**	**1 493 148**	**5 866 367**	**37**	**118 017 316**

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			12 291 267		12 291 267
Debt securities in issue			86 701 765		86 701 765
Derivatives	79 189	1 618 217			1 697 406
Fair value changes of the hedged items in portfolio hedge of interest rate risk			1 020 038		1 020 038
Current tax liabilities				245 749	245 749
Other liabilities				2 969	2 969
Accrued expenses and prepaid income			233	3 080	3 313
Deferred tax liabilities				80 501	80 501
Retirement benefit obligations				8 190	8 190
Subordinated loan capital			1 200 284		1 200 284
Total 31 March 2017	**79 189**	**1 618 217**	**101 213 587**	**340 489**	**103 251 481**
Total 31 December 2016	**75 342**	**1 719 041**	**99 252 440**	**288 167**	**101 334 989**
Total 31 March 2016	**68 355**	**873 458**	**105 906 856**	**511 426**	**107 360 094**

[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

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

31 December 2016, NOKt	Fair value Positive	Fair value Negative	Total nominal amount
Derivatives held for trading [1]:			
Interest rate swaps	950	75 342	58 500 000
Total	**950**	**75 342**	**58 500 000**
Derivatives used for hedge accounting:			
Interest rate swaps	1 441 669	155 478	20 083 000
Currency interest rate swaps	170 517	1 563 563	14 248 301
Total	**1 612 186**	**1 719 041**	**34 331 301**
Total derivatives	**1 613 137**	**1 794 382**	**92 831 301**

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

[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

	31 March 2017		31 December 2016	
NOKt	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	108 015 774	108 272 054	106 124 274	105 039 386
Interest-bearing securities	5 757 037	5 757 037	5 757 776	5 757 776
Derivatives	1 766 853	1 766 853	1 613 137	1 613 137
Other financial assets	17 909	17 909	0	0
Prepaid expenses and accrued income	118 024	118 024	117 385	117 385
Total financial assets	**115 675 597**	**115 931 877**	**113 612 571**	**112 527 684**

	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Deposits and debt instruments	101 213 354	101 917 493	104 041 157	103 954 314
Derivatives	1 697 406	1 697 406	273 447	273 447
Other financial liabilities	0	0	0	0
Accrued expenses and prepaid income	233	233	0	0
Total financial liabilities	**102 910 994**	**103 615 132**	**104 314 604**	**104 227 761**

The determination of fair value is described in the Annual Report 2016, 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

31 March 2017, NOKt	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Financial assets [1]				
Interest-bearing securities		5 757 037		5 757 037
Derivatives		1 766 853		1 766 853
Total assets	**0**	**7 523 890**	**0**	**7 523 890**
Financial liabilities [1]				
Derivatives		1 697 406		1 697 406
Total liabilities	**0**	**1 697 406**	**0**	**1 697 406**

31 December 2016, NOKt	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Financial assets [1]				
Interest-bearing securities		5 757 776		5 757 776
Derivatives		1 613 137		1 613 137
Total assets	**0**	**7 370 913**	**0**	**7 370 913**
Financial liabilities [1]				
Derivatives		1 794 382		1 794 382
Total liabilities	**0**	**1 794 382**	**0**	**1 794 382**

[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 2016, 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 2017. 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	31 Mar 2017	31 Dec[1] 2016	31 Mar 2016
Calculation of own funds			
Equity in the consolidated situation	12 269	12 278	10 521
Proposed/actual dividend			
Common Equity Tier 1 capital before regulatory adjustments	12 269	12 278	10 521
Deferred tax assets			
Intangible assets			
IRB provisions shortfall (-)	-64	-63	-73
Deduction for investments in credit institutions (50%)			
Pension assets in excess of related liabilities			
Other items, net	50	42	-18
Total regulatory adjustments to Common Equity Tier 1 capital	-14	-21	-91
Common Equity Tier 1 capital (net after deduction)	**12 255**	**12 257**	**10 430**
Additional Tier 1 capital before regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital			
Additional Tier 1 capital			
Tier 1 capital (net after deduction)	**12 255**	**12 257**	**10 430**
Tier 2 capital before regulatory adjustments	1 205	1 200	780
IRB provisions excess (+)	24	29	
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	24	29	
Tier 2 capital	1 229	1 229	780
Own funds (net after deduction)[2]	**13 484**	**13 486**	**11 210**

[1] Including profit of the period

[2] Own Funds adjusted for IRB provision, i.e. adjusted own funds equal 13,524m by 31 Mar 2017

Own Funds, including profit

NOKm	31 Mar 2017	31 Dec 2016	31 Mar 2016
Common Equity Tier 1 capital, including profit	12 416	12 257	10 566
Total Own Funds, including profit	13 645	13 486	11 346

Note 9 Capital adequacy cont.

Minimum Capital requirement and REA

NOKm	31 Mar 2017 Minimum Capital requirement	31 Mar 2017 REA	31 Dec 2016 Minimum Capital requirement	31 Dec 2016 REA	31 Mar 2016 Minimum Capital requirement	31 Mar 2016 REA
Credit risk	**904**	**11 302**	**900**	**11 247**	**1 034**	**12 931**
- of which counterparty credit risk	6	72	25	309	102	1 271
IRB	896	11 198	873	10 907	930	11 629
- corporate						
- advanced						
- foundation						
- institutions	12	155	14	166		
- retail	883	11 043	859	10 741	930	11 629
- secured by immovable property collateral	840	10 494	815	10 187	884	11 054
- other retail	44	548	44	554	46	575
- other						
Standardised	8	104	27	340	104	1 302
- central governments or central banks						
- regional governments or local authorities						
- public sector entities						
- multilateral development banks						
- international organisations						
- institutions	8	103	27	340	104	1 302
- corporate						
- retail						
- secured by mortgages on immovable properties						
- in default						
- associated with particularly high risk						
- covered bonds						
- institutions and corporates with a short-term credit assessment						
- collective investments undertakings (CIU)						
- equity						
- other items	0	1				
Credit Value Adjustment Risk						
Market risk						
- trading book, Internal Approach						
- trading book, Standardised Approach						
- banking book, Standardised Approach						
Operational risk	**204**	**2 550**	**238**	**2 977**	**238**	**2 977**
Standardised	204	2 550	238	2 977	238	2 977
Additional risk exposure amount due to Article 3 CRR	**13**	**157**	**5**	**63**	**11**	**133**
Sub total	**1 121**	**14 009**	**1 143**	**14 287**	**1 283**	**16 041**
Adjustment for Basel I floor						
Additional capital requirement according to Basel I floor	2 737	34 211	2 674	33 420	2 693	33 661
Total	**3 858**	**48 220**	**3 817**	**47 707**	**3 976**	**49 702**

Note 9 Capital adequacy cont.

Minimum Capital Requirement & Capital Buffers

		Capital Buffers					
Percentage	**Minimum Capital requirement**	**CCoB**	**CCyB**	**SII**	**SRB**	**Capital Buffers total**	**Total**
Common Equity Tier 1 capital	4.5	2.5	1.5		3.0	7.0	11.5
Tier 1 capital	6.0	2.5	1.5		3.0	7.0	13.0
Own funds	8.0	2.5	1.5		3.0	7.0	15.0
NOKm							
Common Equity Tier 1 capital	2 170	1 205	723		1 447	3 375	5 545
Tier 1 capital	2 893	1 205	723		1 447	3 375	6 269
Own funds	3 858	1 205	723		1 447	3 375	7 233

Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	**31 Mar[2] 2017**	**31 Dec[1,2] 2016**	**31 Mar[2] 2016**
Common Equity Tier 1 capital	19.4	19.7	14.6

[1] Including profit for the period

[2] Including Basel I floor

Capital ratios

Percentage	**31 Mar 2017**	**31 Dec 2016**	**31 Mar 2016**
Common Equity Tier 1 capital ratio, including profit	88.6	85.8	65.9
Tier 1 capital ratio, including profit	88.6	85.8	65.9
Total capital ratio, including profit	97.4	94.4	70.7
Common Equity Tier 1 capital ratio, excluding profit	87.5	81.5	65.0
Tier 1 capital ratio, excluding profit	87.5	81.5	65.0
Total capital ratio, excluding profit	96.3	90.1	69.9

Capital ratios including Basel I floor

Percentage	**31 Mar 2017**	**31 Dec 2016**	**31 Mar 2016**
Common Equity Tier 1 capital ratio, including profit	25.7	25.7	21.3
Tier 1 capital ratio, including profit	25.7	25.7	21.3
Total capital ratio, including profit	28.3	28.3	22.8
Common Equity Tier 1 capital ratio, excluding profit	25.4	24.4	21.0
Tier 1 capital ratio, excluding profit	25.4	24.4	21.0
Total capital ratio, excluding profit	28.0	27.0	22.6

Leverage ratio	**31 Mar[2] 2017**	**31 Dec[1,2] 2016**	**31 Mar 2016**
Tier 1 capital, transitional definition, NOKm	12 255	12 257	10 430
Leverage ratio exposure, NOKm	121 075	120 378	131 591
Leverage ratio, percentage	10.1	10.2	7.9

[1] Including profit of the period

[2] Leverate ratio 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), NOKm1	of which EAD for off-balance, NOKm	Exposure-weighted average risk weight:
Institutions, foundation IRB:	3 324		3 324		5
of which					
- rating grades 6	3 324		3 324		5
- rating grades 5					
- rating grades 4					
- rating grades 3					
- rating grades 2					
- rating grades 1					
- unrated					
- defaulted					
Retail, of which secured by real estate:	104 850	12 561	108 907	4 057	10
of which					
- scoring grades A	83 709	11 363	87 380	3 671	5
- scoring grades B	11 405	766	11 653	247	11
- scoring grades C	4 629	211	4 697	68	24
- scoring grades D	2 986	122	3 025	39	44
- scoring grades E	1 130	86	1 158	28	73
- scoring grades F	495	9	498	3	113
- not scored					
- defaulted	495	3	496	1	238
Retail, of which other retail:	3 181	1 047	3 519	338	16
of which					
- scoring grades A	2 323	884	2 609	285	8
- scoring grades B	436	108	471	35	17
- scoring grades C	199	20	206	6	32
- scoring grades D	103	15	108	5	44
- scoring grades E	49	12	53	4	50
- scoring grades F	23	6	25	2	77
- not scored					
- defaulted	46	2	47	1	206
Other non credit-obligation assets:					

Nordea Eiendomskreditt does not have the following IRB exposure classes: equity exposures, 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 2016.

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 AB (publ), filial i Norge also provides short term unsecured funding to Nordea Eiendomskreditt, and at the end of the first quarter 2017 such borrowings amounted to NOK 12.3 billion.

Loans to the public, which constitute Nordea Eiendomskreditt's cover pool, are purchased from Nordea Bank AB (publ), filial i Norge. Instalments, early redemptions and refinancings will over time reduce the company's loan portfolio. Loans that cease to be a part of the portfolio, are replaced by new purchases of loans from the parent bank, if deemed necessary to maintain the level of overcollateralization. This year to date, loans amounting to NOK 10.0 billion have been transferred from Nordea Bank AB (publ), filial i Norge to Nordea Eiendomskreditt AS.

Transferred loans are continued to be managed by Nordea's Norwegian branch offices. For this service Nordea Eiendomskreditt has paid an amount of NOK 84.0 million in the first three months of 2017.

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.

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