



Interim Report 1st quarter 2019

Nordea Eiendoms kreditt AS



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

Read more about us on [Nordea.com](https://www.nordea.com).

Key financial figures

Summary of the income statement (NOKm)

	Jan-Mar 2019	Jan-Mar 2018	Year 2018
Net interest income	316	405	1 328
Net result from items at fair value	-20	-0	33
Other income	9	12	-25
Total operating income	305	417	1 337
Staff costs	5	5	19
Other expenses	83	94	356
Total operating expenses	87	99	375
Loan losses (negative figures are reversals)	7	1	6
Operating profit	210	317	955
Income tax expense	53	78	239
Net profit for the period	158	238	717

Summary of the balance sheet (NOKm)

	31 Mar 2019	31 Mar 2018	31 Dec 2018
Loans to the public	121 842	125 803	111 920
Allowance for loan losses	-62	-56	-56
Other assets	12 396	8 017	8 583
Debt securities in issue	91 079	80 736	82 564
Other liabilities	24 392	40 033	24 445
Equity	18 705	12 996	13 437
Total assets	134 176	133 765	120 447
Average total assets	131 932	137 888	127 959

Ratios and key figures

	31 Mar 2019	31 Mar 2018	31 Dec 2018
Basic/diluted Earnings per share (EPS), annualised basis, NOK	41,1	62,1	46,7
Equity per share, NOK ¹	1 219,7	847,4	876,2
Shares outstanding ¹ , million	15,3	15,3	15,3
Post-tax return on average equity	4,3 %	7,2 %	5,4 %
Cost/income ratio	28,7 %	23,8 %	28,1 %
Loan loss ratio, annualised, basis points	2,3	0,4	0,5
Common Equity Tier 1 capital ratio, excl. Basel I floor ^{1,2}	61,4 %	90,1 %	46,7 %
Tier 1 capital ratio, excl. Basel I floor ^{1,2}	61,4 %	90,1 %	46,7 %
Total capital ratio, excl. Basel I floor ^{1,2}	69,1 %	98,7 %	50,9 %
Common Equity Tier 1 capital ratio, incl. Basel I floor ^{1,2}	32,9 %	22,9 %	26,9 %
Tier 1 capital ratio incl. Basel I floor ^{1,2}	32,9 %	22,9 %	26,9 %
Total capital ratio incl. Basel I floor ^{1,2}	37,1 %	25,1 %	29,4 %
Own funds, NOKm ^{1,2}	20 819	13 922	14 615
Risk Exposure Amount incl. Basel I floor, NOKm ¹	56 186	55 415	49 748
Number of employees (full-time equivalents) ¹	14,5	15,5	15,5

¹ At the end of the period

² Excluding the year to date result for interim figures

Board of Directors' Report

Introduction

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

Nordea Eiendoms kreditt's business objective is to grant and acquire residential mortgages, loans secured by mortgages over holiday houses and construction loans for residential properties and holiday houses secured by mortgages over real estate, and to finance its lending activities substantially by issuing of covered bonds (bonds with a priority right of recourse to the company's collateral for its lending). The loan portfolio amounts to NOK 122 billion at 31 March 2019 and comprise only residential loans and loans to holiday homes bought from the parent bank. Nordea Eiendoms kreditt AS is a wholly owned subsidiary of Nordea Bank Abp.

Income statement

Operating profit for the first three months of 2019 was NOK 210 million (NOK 317 million). The profit reported is equivalent to a post-tax return on average equity of 4.3% (7.2%) on an annualised basis.

Net interest income for the three months ending 31 March 2019 showed a decrease of 22% compared to the same period last year and amounted to NOK 316 million (NOK 405 million). Lending to the public has been 7% lower in the first quarter of 2019 compared to same period last year, and the margins have been tighter, both causing a decrease in net interest income. The loan customers have been notified of an increase in the interest rate for their mortgage loans with effect from May 2019, and this expected to improve the interests rate margin from next quarter.

Total operating expenses for the first three months amounted to NOK 87 million (NOK 99 million). NOK 5 million of operating expenses is staff related. Other operating expenses are mainly related to services bought from the parent bank, such as management of the loan portfolio and customer contact, as well as funding, risk control, reporting and IT related services.

Loan losses and provisions recognised in the accounts for the first three months amounted to NOK 7.0 million (NOK 1.1 million). Loan loss provision has increased from NOK 56.4 million at the beginning of the year, to NOK 62.4 million at 31 March 2019, with the increase split on all three impairment stages. Realised loan losses were NOK 1.2 million. See note 5 and note 6 for further information about loan losses and impairment.

Total assets amounted to NOK 134.2 billion at 31 March 2019 (NOK 133.8 billion).

Capital position and risk-weighted exposure

Nordea Eiendoms kreditt's Common Equity Tier 1 capital ratio excluding Basel I floor was 62.0%, including

profit at the end of the first quarter, an increase of 15.3 percentage points from the end of the previous quarter. This was primarily due to a capital injection increasing Common Equity Tier 1 capital of NOK 5 100 million. The Total Capital ratio excluding Basel I floor increased 18.7 percentage points to 69.7%, including profit.

Risk Exposure Amount (REA) was NOK 30 126 million excluding Basel I, an increase of NOK 1 435 million, compared to the previous quarter. The main driver for the increase in REA was an inflow of residential mortgage loan exposures.

The Common Equity Tier 1 ratio including Basel I rules was 33.2%, including profit at the end of the first quarter, and the Own Funds was NOK 20 984 million. The Tier 1 capital and the Common Equity Tier 1 capital were NOK 18 671 million (no additional Tier 1 capital).

Funding

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

During the first three months of 2019 Nordea Eiendoms kreditt issued covered bonds amounting to NOK 16.7 billion in the Norwegian domestic market under its NOK 100bn domestic covered bond programme. As of 31 March 2019, Nordea Eiendoms kreditt had outstanding covered bonds totalling NOK 84.7 billion in the Norwegian market, GBP 0.4 billion in the British market and EUR 0.1 billion in the European market. Nordea Eiendoms kreditt also had subordinated debt outstanding to the amount of NOK 2.3 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 first quarter of 2019 such borrowings amounted to NOK 19.0 billion.

Rating

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

Lending

The gross book value of loans to the public amounted to NOK 122 billion as of 31 March 2019 (NOK 125.8 billion) and consists entirely of residential mortgage loans and loans to holiday houses, that are bought from and managed by Nordea Bank Abp, filial i Norge. NOK 110 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 19.6% in relation to gross issued covered bonds, calculated according to Norwegian regulations, see note 11 for further information.

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 2019, the company was party to interest rate swaps with a nominal value of NOK 71.0 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.

Impaired loans

As of 31 March 2019 impaired loans amounted to NOK 535.2 million which corresponds to 0.44% of the total loan portfolio. Allowances of NOK 38.5 million have been made, and net impaired loans were NOK 496.7 million at 31 March 2019 compared to NOK 494.6 million at 31 March 2018.

Nordea Eiendoms kreditt AS

Oslo, 7 May 2019



John Arne Sætre
Chair



Marte Kopperstad
Board member



Ola Littorin
Board member



Alex Madsen
Board member



Anne Sofie Knoph
Employee representative



Børre S. Gundersen
Chief Executive Officer

Income statement

NOKt	Note	Jan-Mar 2019	Jan-Mar 2018	Year 2018
Operating income				
Interest income calculated using the effective interest rate method		767 010	789 139	2 910 878
Other interest income		18 087	11 137	57 323
Interest expense		468 829	395 022	1 639 785
Net interest income	3	316 268	405 254	1 328 416
Fee and commission income		13 646	15 186	56 442
Fee and commission expense		4 736	3 250	23 169
Net fee and commission income		8 910	11 937	33 273
Net result from items at fair value	4	-20 479	-157	-24 620
Total operating income		304 699	417 034	1 337 069
Staff costs		4 715	4 973	19 364
Other operating expenses		82 746	94 341	355 779
Total operating expenses		87 460	99 314	375 143
Profit before loan losses		217 239	317 720	961 925
Loan losses	5	7 041	1 139	6 469
Operating profit		210 198	316 582	955 456
Income tax expense		52 550	78 397	238 935
Net profit for the period		157 649	238 185	716 521
Attributable to:				
Shareholder of Nordea Eiendoms kreditt AS		157 649	238 185	716 521
Total		157 649	238 185	716 521
Basic/diluted earnings per share, NOK		10,3	15,5	46,7

Statement of comprehensive income

NOKt	Jan-Mar 2019	Jan-Mar 2018	Year 2018
Net profit for the period	157 649	238 185	716 521
Items that may be reclassified subsequently to the income statement			
Cash flow hedges:			
Valuation gains/losses during the period	16 350	6 739	-38 681
Tax on valuation gains/losses during the period	-4 127	-1 665	9 710
Items that may not be reclassified subsequently to the income statement			
Defined benefit plans:			
Remeasurement of defined benefit plans	-2 799	2 272	-2 473
Tax on remeasurement of defined benefit plans	695	-568	618
Other comprehensive income, net of tax	10 119	6 778	-30 826
Total comprehensive income	167 768	244 963	685 695
Attributable to:			
Shareholders of Nordea Eiendoms kreditt AS	167 768	244 963	685 695
Total	167 768	244 963	685 695

Balance sheet

NOKt	Note	31 Mar 2019	31 Mar 2018	31 Dec 2018
Assets				
Loans to credit institutions		188 966	18 194	915 581
Loans to the public	6	121 779 948	125 747 544	111 863 513
Interest-bearing securities		6 716 724	6 727 539	6 654 031
Derivatives	8	962 172	1 105 954	868 244
Fair value changes of the hedged items in portfolio hedge of interest rate risk		14 188	14 714	18 618
Retirement benefit asset		0	1 666	0
Other assets		4 365 123	3	196
Accrued income and prepaid expenses		149 156	149 113	126 348
Total assets	7	134 176 278	133 764 728	120 446 531
Liabilities				
Deposits by credit institutions		19 006 405	36 459 780	21 030 942
Debt securities in issue		91 079 160	80 735 751	82 564 221
Derivatives	8	281 297	1 410 600	1 293 892
Fair value changes of the hedged items in portfolio hedge of interest rate risk		497 428	546 572	521 981
Current tax liabilities		140 752	265 059	228 064
Other liabilities		2 017 240	4 709	39 220
Accrued expenses and prepaid income		16 547	24 327	7 548
Deferred tax liabilities		112 202	110 455	108 770
Provisions		233	248	168
Retirement benefit obligations		17 407	10 554	14 419
Subordinated loan capital		2 302 540	1 200 203	1 200 106
Total liabilities	7	115 471 211	120 768 258	107 009 331
Equity				
Share capital		1 717 662	1 702 326	1 702 326
Share premium		8 815 965	3 731 301	3 731 301
Other reserves		-75 587	-48 101	-85 706
Retained earnings		8 089 378	7 372 758	8 089 279
Net profit for the period		157 649	238 185	
Total equity		18 705 067	12 996 470	13 437 200
Total liabilities and equity		134 176 278	133 764 728	120 446 531
Assets pledged as security for own liabilities		110 171 014	118 377 223	100 615 613
Contingent liabilities		362	535	362
Commitments		13 064 741	13 689 874	12 357 191

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 2019	1 702 326	3 731 301	-80 984	-4 722	8 089 279	13 437 200
Total comprehensive income			12 223	-2 104	157 649	167 768
Capital contribution ³						99
New issue	15 336	5 084 664				5 100 000
Closing balance at 31 Mar 2019	1 717 662	8 815 965	-68 761	-6 826	8 246 928	18 705 067

NOKt	Share capital ¹	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
Opening balance at 1 Jan 2018	1 702 326	3 731 301	-52 013	-2 867	7 788 150	13 166 897
Effects from changed accounting policy, net of tax ²					25 108	25 108
Restated opening balance at 1 Jan 2018	1 702 326	3 731 301	-52 013	-2 867	7 813 258	13 192 005
Total comprehensive income			-28 971	-1 855	716 521	685 695
Group contribution paid					-440 500	-440 500
Closing balance at 31 Dec 2018	1 702 326	3 731 301	-80 984	-4 722	8 089 279	13 437 200

NOKt	Share capital ¹	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
Opening balance at 1 Jan 2018	1 702 326	3 731 301	-52 013	-2 867	7 788 150	13 166 897
Effects from changed accounting policy, net of tax ²					25 108	25 108
Restated opening balance at 1 Jan 2018	1 702 326	3 731 301	-52 013	-2 867	7 813 258	13 192 005
Total comprehensive income			5 074	1 704	238 185	244 963
Group contribution paid					-440 500	-440 500
Closing balance at 31 Mar 2018	1 702 326	3 731 301	-46 939	-1 163	7 610 943	12 996 470

¹ The company's share capital at 31 March 2019 was NOK 1.717.662.128,-. The number of shares was 15.336.269, each with a quota value of NOK 112,-. All shares were owned by Nordea Bank Abp.

² Related to IFRS 9. See Note 1 in the Annual Report for 2018 for more information.

³ Capital contribution due to a share based payments program in accordance with IFRS 2.

Nordea Eiendoms kreditt AS

Oslo, 7 May 2019


John Arne Sætre
Chair


Marte Kopperstad
Board member


Ola Littorin
Board member


Alex Madsen
Board member


Anne Sofie Knoph
Employee representative


Børre S. Gundersen
Chief Executive Officer

Cash flow statement

NOKt

Operating activities	Jan-Mar 2019	Jan-Mar 2018	Year 2018
Operating profit before tax	210 198	316 582	955 456
Adjustments for items not included in cash flow	5 935	683	805
Income taxes paid	-139 862	-93 066	-279 723
Cash flow from operating activities before changes in operating assets and liabilities	76 271	224 199	676 538
Changes in operating assets			
Change in loans to the public	-9 922 362	9 707 593	23 590 878
Change in interest-bearing securities	-129 838	-1 100 003	-1 040 524
Change in derivatives, net	-1 106 523	149 394	270 936
Change in other assets	-4 316 161	-15 004	19 440
Changes in operating liabilities			
Change in deposits by credit institutions	-1 986 723	-11 368 966	-26 808 707
Change in debt securities in issue	8 381 673	2 853 917	4 814 454
Change in other liabilities	2 077 050	-130 944	-305 443
Cash flow from operating activities	-6 926 613	320 186	1 217 572
Financing activities			
Change in subordinated loan capital	1 100 000	0	0
Group contribution paid	0	-440 500	-440 500
Group contribution received	0	0	0
Increase in share capital and share premium	5 100 000	0	0
Cash flow from financing activities	6 200 000	-440 500	-440 500
Cash flow for the year	-726 614	-120 315	777 071
Cash and cash equivalents at beginning of the period	915 580	138 509	138 509
Cash and cash equivalents at end of the period	188 966	18 194	915 580
Change	-726 614	-120 315	777 071

Comments on the cash flow statement

The cash flow statement shows inflows and outflows of cash and cash equivalents during the year. Nordea Eiendoms kreditt's cash flow has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as loan losses. The cash flows are classified by operating 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 to the public, short-term funding and debt securities in issue. Changes in derivatives are reported net.

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

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

Notes to the financial statements

Note 1 Accounting policies

The interim financial statements of Nordea Eiendomskreditt AS are prepared in accordance with IAS 34 "Interim Financial Reporting", as endorsed by the EU commission. In addition, certain complementary rules in the Norwegian Accounting Act with supported regulation have been applied.

The accounting policies and methods of computation are unchanged in comparison to Note 1 in the Annual Report 2018, except for related to the items presented in the section "Changed accounting policies and presentation" below. For more information see Note 1 in the Annual Report 2018.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea Eiendomskreditt at 1 January 2019:

IFRS 16 "Leases"

The IASB has published the new standard, IFRS 16 "Leases". The new standard changes the accounting requirements for lessees. All leases (except for short term- and small ticket leases) are accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and the lease payments are recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. The new

standard is effective for annual periods beginning on or after 1 January 2019. The standard was endorsed by the EU-Commission in 2017.

The impact on Nordea Eiendomskreditt's financial statements is insignificant. There was no impact on equity or capital adequacy at transition.

Other amendments

The following new and amended standards issued by IASB were implemented by Nordea Eiendomskreditt 1 January 2019 but have not had any significant impact on the financial statements of Nordea Eiendomskreditt:

- Amendments to IAS 19: Plan Amendments, Curtailment or Settlement
- Annual Improvements to IFRS Standards 2015-2017 Cycle

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.

Exchange rates

	Jan-Mar 2019	Jan-Mar 2018	Year 2018
GBP 1 = NOK			
Income statement (average)	11,1705	10,9093	10,8554
Balance sheet (at end of period)	11,2075	11,0607	11,1351

EUR 1 = NOK

Income statement (average)	9,7459	9,6366	9,6033
Balance sheet (at end of period)	9,6805	9,6770	9,9470

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 interest income

	Jan-Mar 2019	Jan-Mar 2018	Full year 2018
NOKt			
Interest income calculated using the effective interest rate method	767 010	789 139	2 910 878
Other interest income	18 087	11 137	57 323
Interest income	785 097	800 276	2 968 201
NOKt			
Interest income			
Interest income on loans and deposits with financial institutions	1 810	391	2 522
Interest and related income on loans to customers	768 462	788 593	2 919 031
Interest and related income on debt securities	18 087	11 137	57 323
Other interest and related income ¹	-3 262	156	-10 675
Interest income	785 097	800 276	2 968 201
Interest expense			
Interest expense on liabilities to financial institutions	113 920	123 191	355 826
Interest and related expense on securities issued	406 543	336 339	1 516 912
Interest expense on subordinated loan capital	11 762	8 201	35 726
Other interest and related expense ¹	-63 396	-72 709	-268 680
Interest expense	468 829	395 022	1 639 785
Net interest income	316 268	405 254	1 328 416

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 income or on other interest expense, for further information see Note 1 Accounting policies in the Annual Report 2018.

Note 4 Net result from items at fair value

Net gains/losses for categories of financial instruments

NOKt	Jan-Mar 2019	Jan-Mar 2018	Year 2018
Financial instruments at FVPL - Mandatorily ¹	-17 735	-3 814	13 495
Financial instruments under hedge accounting	-2 744	3 659	-38 115
- of which net gains/losses on hedged items	-8 150	270 127	317 629
- of which net gains/losses on hedging instruments	5 406	-266 468	-355 744
Total	-20 479	-157	-24 620

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

Note 5 Loan losses

Net loan losses

NOKt	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Net loan losses, Stage 1	851	1 094	2 419
Net loan losses, Stage 2	4 210	2 431	426
Total loan losses, non-defaulted	5 061	3 526	2 845
Stage 3, defaulted			
Net loan losses, individually assessed, collectively calculated	1 164	-3 916	-1 459
Realised loan losses	1 209	1 056	5 734
Decrease of provisions to cover realised loan losses	-123	-72	-4 162
Recoveries on previous realised loan losses	-	-	-
New/increase in provisions	844	1 788	6 399
Reversals of provisions	-1 114	-1 243	-2 889
Net loan losses, defaulted	1 980	-2 387	3 624
Net loan losses	7 041	1 139	6 469

Key ratios

	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Loan loss ratio, basis points	0,78	0,36	0,53
- of which stage 1	0,11	0,35	0,20
- of which stage 2	0,46	0,77	0,03
- of which stage 3	0,21	-0,76	0,30

Note 6 Loans and impairment

Loans and impairment

NOKt	31 Mar 2019	31 Mar 2018	31 Dec 2018
Loans measured at amortised cost, not impaired (Stage 1 and 2)	121 307 151	125 272 488	111 391 842
Impaired loans (Stage 3)	535 166	531 080	528 112
- of which servicing	115 663	81 124	113 789
- of which non-servicing	419 502	449 956	414 323
Loans before allowances	121 842 317	125 803 568	111 919 955
Allowances for individually assessed impaired loans (Stage 3)	-38 527	-36 449	-37 814
- of which servicing	-3 027	-1 252	-1 849
- of which non-servicing	-35 500	-35 197	-35 965
Allowances for collectively assessed impaired loans (Stage 1 and 2)	-23 841	-19 575	-18 627
Allowances	-62 368	-56 024	-56 441
Loans, carrying amount	121 779 948	125 747 544	111 863 513

Movements of allowance accounts for loans measured at amortised cost

NOKt	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	-4 503	-14 124	-37 814	-56 441
Changes due to origination and acquisition	-309	-93	-210	-611
Changes due to transfers from Stage 1 to Stage 2	329	-6 902	0	-6 573
Changes due to transfers from Stage 1 to Stage 3	10	0	-399	-389
Changes due to transfers from Stage 2 to Stage 1	-305	2 627	0	2 322
Changes due to transfers from Stage 2 to Stage 3	0	266	-2 067	-1 801
Changes due to transfers from Stage 3 to Stage 1	-12	0	300	288
Changes due to transfers from Stage 3 to Stage 2	0	-134	601	467
Changes due to changes in credit risk without stage transfer	-1 065	-1 299	-545	-2 909
Changes due to repayments and disposals	346	1 326	1 485	3 156
Write-off through decrease in allowance account	0	0	123	123
Other changes	0	0	0	0
Translation differences	0	0	0	0
Balance at 31 March 2019	-5 509	-18 332	-38 527	-62 368

Key ratios

	31 Mar 2019	31 Mar 2018	31 Dec 2018
Impairment rate, (stage 3) gross, basis points ¹⁾	43,9	42,2	47,2
Impairment rate (stage 3), net, basis points ²⁾	40,7	39,3	43,8
Total allowance rate (stage 1, 2 and 3), basis points ³⁾	5,1	4,5	5,0
Allowances in relation to credit impaired loans (stage 3), % ⁴⁾	7,2	6,9	7,2
Allowances in relation to loans in stage 1 and 2, basis points ⁵⁾	2,0	1,6	1,7

¹ Based on IFRS 9

¹ Impaired loans (Stage 3) before allowances divided by total loans measured at amortised cost before allowances.

² Impaired loans (Stage 3) after allowances divided by total loans measured at amortised cost before allowances.

³ Total allowances divided by total loans measured at amortised cost before allowances.

⁴ Allowances for impaired loans (stage 3) divided by impaired loans measured at amortised cost (stage 3) before allowances.

⁵ Allowances for not impaired loans (stage 1 and 2) divided by not impaired loans measured at amortised cost (stage 1 and 2) before allowances.

Note 7 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	Amoritsed cost (AC)	Fair value through profit or loss (FVPL)		Non-financial assets	Total
		Mandatorily	Derivatives used for hedging		
Assets					
Loans to credit institutions	188 966				188 966
Loans to the public	121 779 948				121 779 948
Interest-bearing securities		6 716 724			6 716 724
Derivatives			962 172		962 172
Fair value changes of the hedged items in portfolio hedge of interest rate risk	14 188				14 188
Retirement benefit assets					0
Other assets				4 365 123	4 365 123
Prepaid expenses and accrued income	148 945			221	149 156
Total 31 March 2019	122 132 047	6 716 124	962 172	4 365 334	134 176 278

		Fair value through profit or loss (FVPL)			
NOKt	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions	19 006 405				19 006 405
Debt securities in issue	91 079 160				91 079 160
Derivatives		76 904	204 393		281 297
Fair value changes of the hedged items in portfolio hedge of interest rate risk	497 428				497 428
Current tax liabilities				140 752	140 752
Other liabilities	2 013 662			3 578	2 017 240
Accrued expenses and prepaid income	2 977			13 570	16 547
Deferred tax liabilities				112 202	112 202
Provisions				233	233
Retirement benefit obligations				17 407	17 407
Subordinated loan capital	2 302 540				2 302 540
Total 31 March 2019	114 902 172	76 904	204 393	287 742	115 471 211

Note 8 Derivatives and hedge accounting

31 Mar 2019, NOKt	Fair value		Total nominal amount
	Positive	Negative	
Derivatives at FVPL - Mandatorily ¹:			
Interest rate swaps	0	76 904	52 250 000
Total	0	76 904	52 250 000
Derivatives used for hedge accounting:			
Interest rate swaps	885 839	77 430	18 738 000
Currency interest rate swaps	76 333	126 963	5 866 256
Total	962 172	204 393	24 604 256
Total derivatives	962 172	281 297	76 854 256

31 Dec 2018, NOKt	Fair value		Total nominal amount
	Positive	Negative	
Derivatives at FVPL - Mandatorily ¹:			
Interest rate swaps	0	64 701	60 250 000
Total	0	64 701	60 250 000
Derivatives used for hedge accounting:			
Interest rate swaps	824 619	115 220	18 878 000
Currency interest rate swaps	43 625	1 113 971	12 384 756
Total	868 244	1 229 191	31 262 756
Total derivatives	868 244	1 293 892	91 512 756

31 Mar 2018, NOKt	Fair value		Total nominal amount
	Positive	Negative	
Derivatives at FVPL - Mandatorily ¹ :			
Interest rate swaps	0	49 633	45 500 000
Total	0	49 633	45 500 000
Derivatives used for hedge accounting:			
Interest rate swaps	1 105 954	151 130	18 319 000
Currency interest rate swaps	0	1 209 837	9 114 756
Total	1 105 954	1 360 967	27 433 756
Total derivatives	1 105 954	1 410 600	72 933 756

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

Note 9 Fair value of financial assets and liabilities

NOKt	31 Mar 2019		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	121 983 102	125 841 506	112 797 712	113 204 509
Interest-bearing securities	6 716 724	6 716 724	6 654 031	6 654 031
Derivatives	962 172	962 172	868 244	868 244
Prepaid expenses and accrued income	147 832	147 832	126 116	126 116
Total financial assets	134 175 008	138 033 412	120 446 103	120 852 900
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Deposits and debt instruments	112 885 534	113 937 438	105 317 250	106 001 163
Derivatives	281 297	281 297	1 293 892	1 293 892
Other financial liabilities	2 013 662	2 013 662	0	0
Accrued expenses and prepaid income	2 977	2 977	345	345
Total financial liabilities	115 183 470	116 235 374	106 611 487	107 295 400

The determination of fair value is described in the Annual Report 2018, Note 18 Assets and liabilities at fair value.

Note 10 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
31 Mar 2019, NOKt				
Financial assets ¹				
Interest-bearing securities		6 716 724		6 716 724
Derivatives		962 172		962 172
Total assets	0	7 678 896	0	7 678 896
Financial liabilities ¹				
Derivatives		281 297		281 297
Total liabilities	0	281 297	0	281 297
	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 Dec 2018, NOKt				
Financial assets ¹				
Interest-bearing securities		6 654 031		6 654 031
Derivatives		868 244		868 244
Total assets	0	7 522 275	0	7 522 275
Financial liabilities ¹				
Derivatives		1 293 892		1 293 892
Total liabilities	0	1 293 892	0	1 293 892

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 2018, Note 18 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 so far this year. When transfers between levels occur, these are considered to have occurred at the end of the reporting period.

Note 11 Cover Pool

NOKt	31 Mar 2019		31 Dec 2018	
	Nominal value	Net Present Value	Nominal value	Net Present Value
Loans to the public	121 842 317	121 910 779	111 919 955	112 326 752
- whereof pool of eligible loans	110 171 014	110 239 477	100 615 613	100 745 233
Supplementary assets and derivatives:				
- whereof CIRS	-515	9 037	-956 448	-1 070 343
- whereof IRS	0	1 077 844	0	644 696
Total cover pool	110 170 499	111 326 357	99 659 165	100 319 585
Debt securities in issue (net outstanding amount)	90 535 741	89 444 677	82 149 307	83 248 134
Over-collateralization calculated on net outstanding covered bonds	21,7 %	24,5 %	21,3 %	20,5 %
Debt securities in issue (issued amount)	94 055 741	93 086 110	96 528 307	97 627 134
Over-collateralization calculated on issued covered bonds (gross outstanding covered bonds) ¹	17,1 %	19,6 %	3,2 %	2,8 %

¹ without deduction for holdings of own bonds

The guidelines for calculating the over-collateralization requirement in the Norwegian legislation is given in the Financial Undertakings Act (Act No. 17 of 10 April 2015) Chapter 11 Bonds secured on a loan portfolio (covered bonds), and appurtenant regulations. The calculation shall be based on gross outstanding covered bonds and by use of Market values or Net present values. Due to different calculation methods, these may differ from Fair values disclosed in other notes to this Interim Report.

Note 12 Risks and uncertainties

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

Nordea Eiendoms kreditt is also exposed to risks such as market risk, liquidity risk and operational risk. Further information on the composition of the company's risk

exposure and risk management can be found in the Annual Report for 2018.

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

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

Note 13 Capital adequacy

Summary of items included in own funds

NOKm	31 Mar 2019	31 Dec ¹ 2018	31 Mar 2018
Calculation of own funds			
Equity	18 547	13 437	12 758
Proposed/actual dividend			
Common Equity Tier 1 capital before regulatory adjustments	18 547	13 437	12 758
Deferred tax assets			
Intangible assets			
IRB provisions shortfall (-)	-93	-96	-85
Deduction for investments in credit institutions (50%)			
Pension assets in excess of related liabilities			-2
Other items, net	51	62	37
Total regulatory adjustments to Common Equity Tier 1 capital	-42	-34	-50
Common Equity Tier 1 capital (net after deduction)	18 505	13 403	12 708
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)	18 505	13 403	12 708
Tier 2 capital before regulatory adjustments	2 300	1 200	1 204
IRB provisions excess (+)	14	12	10
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	14	12	10
Tier 2 capital	2 314	1 212	1 214
Own funds (net after deduction)²	20 819	14 615	13 922

¹ Including profit for the period

² Own Funds adjusted for IRB provision, i.e. adjusted own funds equal 20,898m by 31 Mar 2019

Own Funds, including profit

NOKm	31 Mar 2019	31 Dec 2018	31 Mar 2018
Common Equity Tier 1 capital, including profit	18 671	13 403	12 946
Total Own Funds, including profit	20 984	14 615	14 160

Minimum capital requirement and REA

	31 Mar 2019	31 Mar 2019	31 Dec 2018	31 Dec 2018	31 Mar 2018	31 Mar 2018
NOKm	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	2 240	27 995	2 109	26 360	943	11 794
- of which counterparty credit risk	16	203			2	23
IRB	2 223	27 783	2 095	26 190	942	11 771
- sovereign					9	118
- corporate					0	0
- advanced					0	0
- foundation					0	0
- institutions	19,52	242	22	280	13	161
- retail	2 203	27 541	2 073	25 910	919	11 491
- secured by immovable property collateral	1 996,33	24 956	1 889	23 611	783	9 789
- other retail	206,79	2 585	184	2 299	136	1 702
- other	0	0			0	0
Standardised	17	212	14	170	2	23
- central governments or central banks						

Note 13 Capital adequacy cont.

Minimum capital requirement and REA

	31 Mar 2019	31 Mar 2019	31 Dec 2018	31 Dec 2018	31 Mar 2018	31 Mar 2018
	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
NOKm						
- regional governments or local authorities						
- public sector entities						
- multilateral development banks						
- international organisations						
- institutions	17	212	14	170	2	23
- 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

Settlement risk

Operational risk	169	2 116	185	2 317	185	2 317
Standardised	169	2 116	185	2 317	185	2 317

Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR

Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR

1	14	1	13
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Additional risk exposure amount due to Article 3 CRR

Sub total	2 410	30 125	2 295	28 690	1 129	14 110
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Adjustment for Basel I floor

Additional capital requirement according to Basel I floor

2 085	26 061	1 685	21 058	3 304	41 305
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Total	4 495	56 186	3 980	49 748	4 433	55 415
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Note 13 Capital adequacy cont.

Minimum Capital Requirement & Capital Buffers

Percentage	Minimum Capital requirement	Capital Buffers					Total
		CCoB	CCyB	O-SII	SRB	Capital Buffers total	
Common Equity Tier 1 capital	4,5	2,5	2,0		3,0	7,5	12,0
Tier 1 capital	6,0	2,5	2,0		3,0	7,5	13,5
Own funds	8,0	2,5	2,0		3,0	7,5	15,5
NOKm							
Common Equity Tier 1 capital	2 528	1 405	1 122		1 686	4 212	6 740
Tier 1 capital	3 371	1 405	1 122		1 686	4 212	7 583
Own funds	4 495	1 405	1 122		1 686	4 212	8 707

Common Equity Tier 1 available to meet Capital Buffers

	31 Mar ²	31 Dec ^{1,2}	31 Mar ²
Percentage points of REA	2019	2018	2018
Common Equity Tier 1 capital	26,9	20,9	16,9

¹ Including profit for the period

² Including Basel I floor

Capital ratios

	31 Mar	31 Dec ¹	31 Mar
Percentage	2019	2018	2018
Common Equity Tier 1 capital ratio, including profit	62,0	46,7	91,7
Tier 1 capital ratio, including profit	62,0	46,7	91,7
Total capital ratio, including profit	69,7	50,9	100,4
Common Equity Tier 1 capital ratio, excluding profit	61,4	46,7	90,1
Tier 1 capital ratio, excluding profit	61,4	46,7	90,1
Total capital ratio, excluding profit	69,1	50,9	98,7

Capital ratios including Basel I floor

	31 Mar	31 Dec ¹	31 Mar
Percentage	2019	2018	2018
Common Equity Tier 1 capital ratio, including profit	33,2	26,9	23,4
Tier 1 capital ratio, including profit	33,2	26,9	23,4
Total capital ratio, including profit	37,3	29,4	25,6
Common Equity Tier 1 capital ratio, excluding profit	32,9	26,9	22,9
Tier 1 capital ratio, excluding profit	32,9	26,9	22,9
Total capital ratio, excluding profit	37,1	29,4	25,1

¹ All ratios are including profit for the period for year-end figures

Leverage ratio

	31 Mar ²	31 Dec ^{1,2}	31 Mar ²
	2019	2018	2018
Tier 1 capital, transitional definition, NOKm	18 505	13 403	12 708
Leverage ratio exposure, NOKm	140 737	125 723	139 579
Leverage ratio, percentage	13,1	10,7	9,1

¹ Including profit for the period

² Leverage ratio is calculated according to the Delegated Act

Note 13 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:
Institutions, foundation IRB:	3 528		3 528		7
of which					
- rating grades 6	3 227		3 227		6
- rating grades 5					
- rating grades 4	301		301		19
- rating grades 3					
- rating grades 2					
- rating grades 1					
- unrated					
- defaulted					
Retail, of which secured by real estate:	112 913	3 010	113 936	1 024	22
of which					
- scoring grades A	89 287	2 674,49	90 196,51	909,51	20
- scoring grades B	15 130	256,94	15 216,89	87,18	21
- scoring grades C	5 557	57	5 576	19,32	24
- scoring grades D	2 515	22	2 522	7,51	40
- scoring grades E					
- scoring grades F					
- not scored					
- defaulted	424	0	424	0	241
Retail, of which other retail:	9 222	10 055	12 641	3 419	20
of which					
- scoring grades A	3 771	8 946	6 813	3 042	6
- scoring grades B	898	727	1 145	247	14
- scoring grades C	359	211	431	72	25
- scoring grades D	1 201	127	1 244	43	37
- scoring grades E	2 288	35	2 300	12	40
- scoring grades F	644	5	646	2	56
- not scored					
- defaulted	61	4	62	1	219
Other non credit-obligation assets:	0		0		100

Nordea does not have the following IRB exposure classes: equity exposures, qualifying revolving retail

¹ Includes EAD for on-balance, off-balance, derivatives and securities financing

Note 14 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 cross currency swaps. Counterparties to all derivative contracts are Nordea Group internal. The volume and fair value of the derivative contracts are shown in note 8.

Nordea Bank Abp, filial i Norge provides short term unsecured funding to Nordea Eiendomskreditt, and at the end of the first quarter 2019 such borrowings amounted to NOK 19.0 billion.

Loans to the public, which constitute Nordea Eiendomskreditt's cover pool, are purchased from Nordea Bank Abp, filial i Norge. Instalments, early redemptions and refinancings will over time reduce the company's loan portfolio. Loans that cease to be a part of the portfolio, are replaced by new purchases of loans from the parent bank, if deemed necessary to maintain the level of overcollateralization, or for other strategic

reasons. In Q1-2019 loans amounting to NOK 19.9 billion have been transferred from the parent bank.

The company is in process of changing the business model from purchasing loans from the parent bank, to issue mortgage loans directly from its own balance sheet. At implementation of this new business model a large portfolio of mortgage loans will be purchased from the bank, increasing Nordea Eiendomskreditt's balance size substantially. To prepare for this, a share capital injection of NOK 5,100 from Nordea Bank Abp was executed at 7 March 2019.

Transferred loans are continued to be managed by Nordea Bank Abp, filial i Norge. For this service Nordea Eiendomskreditt has paid an amount of NOK 77 million in the first three months of 2019.

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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