



Interim Report 1st quarter 2021

Nordea Eiendoms kreditt AS

(unaudited)



Nordea Eiendoms kreditt AS is part of the Nordea Group. Nordea is a leading Nordic universal bank. We are helping our customers realise their dreams and aspirations – and we have done that for 200 years. We want to make a real difference for our customers and the communities where we operate – by being a strong and personal financial partner. 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 2021	Jan-Mar 2020	Year 2020
Net interest income	680	559	2 399
Net result from items at fair value	-22	-70	-34
Other operating income	18	20	74
Total operating income	676	509	2 439
Staff costs	6	6	23
Other expenses	223	209	894
Total operating expenses	229	215	917
Loan losses (negative figures are reversals)	-14	-8	98
Operating profit	461	301	1 424
Income tax expense	115	75	356
Net profit for the period	345	226	1 068

Summary of the balance sheet (NOKm)

	31 Mar 2021	31 Mar 2020	31 Dec 2020
Loans to the public, gross	270 182	250 723	266 240
Allowance for loan losses	-168	-93	-190
Other assets	6 673	8 007	7 143
Debt securities in issue	138 599	102 596	142 744
Other liabilities	118 519	137 013	110 690
Equity	19 570	19 027	19 759
Total assets	276 688	258 637	273 192
Average total assets	274 782	255 229	264 935

Ratios and key figures

	31 Mar 2021	31 Mar 2020	31 Dec 2020
Basic/diluted Earnings per share (EPS), annualised basis, NOK	90,1	58,8	69,6
Equity per share ¹ , NOK	1 276,1	1 240,7	1 288,4
Shares outstanding ¹ , million	15,3	15,3	15,3
Post-tax return on average equity	7,0 %	4,7 %	5,5 %
Cost/income ratio	33,9 %	42,3 %	37,6 %
Loan loss ratio, annualised, basis points	-2,1	-1,2	3,8
Common Equity Tier 1 capital ratio	30,1 %	30,6 %	30,6 %
Tier 1 capital ratio ^{1,2}	30,1 %	30,6 %	30,6 %
Total capital ratio ^{1,2}	33,8 %	34,4 %	34,4 %
Own funds, NOKm ^{1,2}	21 469	20 711	21 489
Risk Exposure Amount ¹ , NOKm	63 510	60 140	62 546
Number of employees (Full-time equivalents) ¹	17,5	17,5	17,5

¹ At the end of the period.

² Excluding the year to date profit for interim figures.

Board of Directors' Report

Introduction

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

Nordea Eiendoms kreditt is a wholly owned subsidiary of Nordea Bank Abp, located in Oslo. The company's business objective is to grant and acquire residential mortgage loans including holiday homes, and to finance its lending activities mainly by issuing of covered bonds. The loan portfolio amounts to NOK 270bn at 31 March 2021. The mortgage loans are originated directly from own balance sheet or bought from the parent bank. Nordea Eiendoms kreditt is part of the Personal Banking Business Area in Nordea.

Covid-19 pandemic – governance, operational risk measures and further disclosures

Covid-19 infection rates continued to fluctuate in the first quarter of 2021, and the situation was monitored throughout the quarter by Nordea's Global Crisis Management team.

Amid the introduction of stricter Covid-19 containment measures in Norway in the first quarter of 2021, the unemployment figures increased slightly, and stood at 4.2% in March 2021. House prices continued to rise and were 12.5% higher in March 2021 than in the same month last year, supported by historically low interest rates. Norges Bank has stated that the first rate hike will come either during September or December 2021.

Information on the financial and operational impacts of the Covid-19 pandemic on Nordea Eiendoms kreditt, as well as the measures taken to address these impacts, have been provided in the section "Impaired loans", in Note 1 "Accounting policies", in Note 5 "Loans and impairment" and in Note 13 "Risks and uncertainties".

Nordea Direct Boligkreditt merger

With reference to previous updates regarding the merger between Nordea Direct Boligkreditt AS and Nordea Eiendoms kreditt AS, the companies are reassessing the manner in which Nordea Direct Boligkreditt AS will be integrated into the Nordea Group and its covered bonds transferred to Nordea Eiendoms kreditt AS. The target completion for such transactions is yet to be determined, and the process is subject to regulatory approval.

Income Statement

Profit before loan losses

Operating profit in the first quarter of 2021 was NOK 461 million (NOK 301 million). The profit reported is equivalent to a post-tax return on average equity of 7.0% (4.7%) on an annualised basis.

Net interest income in the first quarter showed an increase of 22% compared to the same period last year and amounted to NOK 680 million (NOK 559 million). Both lending margins and loan volume have been higher in the first quarter 2021 compared to the same period last year.

Total operating expenses in the first quarter amounted to NOK 229 million (NOK 215 million). NOK 6 million (NOK 6 million) of operating expenses is staff related. Other operating expenses are

mainly related to services bought from the parent bank, such as loan origination, management of the loan portfolio and customer contact, as well as funding, risk control, reporting and IT related services. The increased size of the loan portfolio explains the increase in total operating expenses.

Net loan losses

Loan losses and provisions recognised in the accounts for the first quarter of 2021 was a net reversal of NOK 14.0 million, mainly related to collective model based provisions (net reversal of NOK 7.5 million). Loan loss allowances have decreased from NOK 190.3 million at the beginning of the year, to NOK 167.7 million at 31 March 2021, with the decrease mainly in Stage 1 and 2. Management judgement provisions of NOK 121 million booked in the second quarter of 2020 have been reduced to NOK 99 million at end of the first quarter 2021, as respective losses are covered by model calculations and to reflect reduced provisioning needs.

Realised loan losses were NOK 9.6 million of which NOK 7.2 million was already provided for. The underlying net loan losses in Nordea Eiendoms kreditt are low, reflecting a strong underlying credit portfolio with a slightly positive rating migration (upgrades exceeding downgrades). No deterioration in credit quality or new defaults have been observed in the quarter. See note 4 and note 5 for further information about loan losses and impairment.

Nordea Eiendoms kreditt will take appropriate actions to release management judgements as respective losses are realised or captured by Nordea's models, whilst maintaining in place an adequate total collective allowance for loan losses consisting of both model calculations and management judgements.

Capital position and risk exposure amount

Nordea Eiendoms kreditt's Common Equity Tier 1 (CET1) capital ratio excluding profit was 30.1%, at the end of the first quarter, an increase of 0.4 percentage points from the end of the previous quarter. The increase was primarily due to inclusion of last year's retained profit. The Total Capital ratio excluding profit increased 0.3 percentage points to 33.8%.

Risk Exposure Amount (REA) was NOK 63,510 million, an increase of NOK 964 million, compared to the previous quarter. The main driver for the increase in REA was the IRB retail portfolio, primarily stemming from increased volumes of residential mortgage loans.

Own Funds excluding profit was NOK 21,469 million at the end of the first quarter. The Tier 1 capital and the Common Equity Tier 1 capital were NOK 19,090 million (no additional Tier 1 capital).

Funding and liquidity

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 2021 Nordea Eiendoms kreditt issued covered bonds amounting to NOK 1.3 billion in the

Norwegian domestic market under its NOK 150bn domestic covered bond programme. In the same period buybacks amounted to NOK 5.5 billion. As of 31 March 2021, Nordea Eiendoms kreditt had outstanding covered bonds totalling NOK 132.9 billion in the Norwegian market, GBP 0.3 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, EUR 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 2021 such borrowings amounted to NOK 114.5 billion.

The nominal value of the liquidity buffer is NOK 5.1 billion and the Liquidity Coverage Ratio (LCR) according to the EBA Delegated Act was 744% at the end of the first quarter.

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 270 billion as of 31 March 2021 (NOK 251 billion), bought from Nordea

Bank Abp, filial i Norge or issued directly from Nordea Eiendoms kreditt's balance sheet. NOK 188 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 36.7% in relation to gross issued covered bonds.

Total assets amounted to NOK 277 billion at 31 March 2021 (NOK 259 billion).

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 2021, the company was party to interest rate swaps with a nominal value of NOK 71.5 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 2021 impaired loans amounted to NOK 705.5 million which corresponds to 0.26% of the total loan portfolio. Allowances of NOK 68.8 million have been made, and net impaired loans were NOK 636.8 million at 31 March 2021 compared to NOK 877.6 million at 31 March 2020.

Nordea Eiendoms kreditt AS

Oslo, 11 May 2021



Marte Kopperstad
Chair



Gro Elisabeth Lundevik
Vice Chair



Ola Littorin
Board member



Alex Madsen
Board member



Pål Ekberg
Board member



Anne Sofie Knoph
Employee representative



Børre S. Gundersen
Chief Executive Officer

Income statement

NOKt	Note	Jan-Mar 2021	Jan-Mar 2020	Year 2020
Operating income				
Interest income calculated using the effective interest rate method		1 168 206	1 853 175	5 491 474
Other interest income		7 479	23 887	51 735
Interest expense		495 564	1 318 340	3 144 447
Net interest income	2	680 121	558 722	2 398 762
Fee and commission income		23 701	23 660	94 830
Fee and commission expense		5 985	3 882	20 578
Net fee and commission income		17 717	19 777	74 252
Net result from items at fair value	3	-21 962	-70 084	-34 092
Other income		145	121	555
Total operating income		676 020	508 536	2 439 477
Staff costs		6 030	5 829	22 954
Other operating expenses		223 446	209 445	894 103
Depr/amortisation and impairment charges		18	18	74
Total operating expenses		229 495	215 292	917 131
Profit before loan losses		446 525	293 242	1 522 346
Loan losses	4	-14 011	-7 531	98 290
Operating profit		460 536	300 773	1 424 056
Income tax expense		115 136	75 194	356 245
Net profit for the period		345 400	225 580	1 067 811
Attributable to:				
Shareholder of Nordea Eiendoms kreditt AS		345 400	225 580	1 067 811
Total		345 400	225 580	1 067 811

Statement of comprehensive income

NOKt	Jan-Mar 2021	Jan-Mar 2020	Year 2020
Net profit for the period	345 400	225 580	1 067 811
Items that may be reclassified subsequently to the income statement			
Cash flow hedges:			
Valuation gains/losses during the period	-4 413	167 950	19 470
Tax on valuation gains/losses during the period	1 103	-41 987	-4 868
Items that may not be reclassified subsequently to the income statement			
Defined benefit plans:			
Remeasurement of defined benefit plans	4 480	-5 478	-4 852
Tax on remeasurement of defined benefit plans	-1 120	1 370	1 213
Other comprehensive income, net of tax	50	121 854	10 964
Total comprehensive income	345 450	347 434	1 078 775
Attributable to:			
Shareholders of Nordea Eiendoms kreditt AS	345 450	347 434	1 078 775
Total	345 450	347 434	1 078 775

Balance sheet

NOKt	Note	31 Mar 2021	31 Mar 2020	31 Dec 2020
Assets				
Loans to credit institutions		203 348	20 884	471 612
Loans to the public	5	270 014 680	250 953 166	266 049 251
Interest-bearing securities		5 233 484	5 224 200	5 181 071
Derivatives	7	1 195 560	2 362 102	1 423 059
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1 691	46 656	28 490
Property and Equipment owned and RoU		172	246	191
Other assets		0	23	0
Accrued income and prepaid expenses		39 156	30 200	38 308
Total assets	6	276 688 093	258 637 477	273 191 982
Liabilities				
Deposits by credit institutions		114 645 935	133 053 269	106 938 866
Debt securities in issue		138 598 799	102 596 001	142 743 573
Derivatives	7	23 450	88 738	39 218
Fair value changes of the hedged items in portfolio hedge of interest rate risk		413 465	998 232	795 070
Current tax liabilities		308 573	327 023	383 359
Other liabilities		548 258	14 263	9 050
Accrued expenses and prepaid income		123 365	88 364	94 018
Deferred tax liabilities		127 439	111 904	96 236
Provisions		3 528	1 680	4 582
Retirement benefit obligations		23 421	28 555	27 703
Subordinated loan capital		2 301 739	2 302 424	2 301 732
Total liabilities		257 117 973	239 610 451	253 433 406
Equity				
Share capital		1 717 662	1 717 662	1 717 662
Share premium		8 815 965	8 815 965	8 815 965
Other reserves		-59 401	51 439	-59 451
Retained earnings		8 750 493	8 216 380	9 284 400
Net profit for the period		345 400	225 580	
Total equity		19 570 119	19 027 026	19 758 576
Total liabilities and equity		276 688 093	258 637 477	273 191 982
Assets pledged as security for own liabilities		188 230 721	162 194 327	184 644 537
Contingent liabilities		0	183	0
Commitments		26 074 612	22 573 870	24 650 647

Nordea Eiendoms kreditt AS

Oslo, 11 May 2021

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Employee representative

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Chief Executive Officer

Statements of changes in equity

NOKt	Share capital ¹	Share premium	Other reserves		Defined benefit plans	Retained earnings	Total equity
			Cash flow	hedges			
Opening balance at 1 January 2021	1 717 662	8 815 965		-44 753	-14 697	9 284 400	19 758 576
Total comprehensive income				-3 310	3 360	345 400	345 450
Contribution and distribution							
Share Based Payment Programme EIP						93	93
Dividend paid						-534 000	-534 000
Closing balance at 31 March 2021	1 717 662	8 815 965		-48 063	-11 337	9 095 893	19 570 119

NOKt	Share capital ¹	Share premium	Other reserves		Defined benefit plans	Retained earnings	Total equity
			Cash flow	hedges			
Opening balance at 1 January 2020	1 717 662	8 815 965		-59 356	-11 058	8 701 191	19 164 403
Total comprehensive income				14 603	-3 639	1 067 811	1 078 775
Contribution and distribution							
Share Based Payment Programme EIP						298	298
Dividend paid						-484 900	-484 900
Closing balance at 31 December 2020	1 717 662	8 815 965		-44 753	-14 697	9 284 400	19 758 576

NOKt	Share capital ¹	Share premium	Other reserves		Defined benefit plans	Retained earnings	Total equity
			Cash flow	hedges			
Opening balance at 1 January 2020	1 717 662	8 815 965		-59 356	-11 058	8 701 191	19 164 403
Total comprehensive income				125 962	-4 109	225 580	347 434
Contribution and distribution							
Share Based Payment Programme EIP						90	90
Dividend paid						-484 900	-484 900
Closing balance at 31 March 2020	1 717 662	8 815 965		66 606	-15 167	8 441 960	19 027 026

¹The company's share capital at 31 March 2021 was NOK 1.717.662.128,-. The number of shares was 15 336 269, each with a quota value of NOK 112,-. All shares are owned by Nordea Bank Abp.

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

Cash Flow statement

NOKt	Jan-Mar 2021	Jan-Mar 2020	Year 2020
Operating activities			
Operating profit before tax	460 536	300 773	1 424 056
Adjustments for items not included in cash flow	-23 641	-9 416	90 178
Income taxes paid	-158 735	-114 049	-317 470
Cash flow from operating activities before changes in operating assets and liabilities	278 160	177 308	1 196 764
Changes in operating assets			
Change in loans to the public	-3 942 840	-4 745 324	-19 929 696
Change in interest-bearing securities	-52 413	22 638	65 767
Change in derivatives, net	211 731	-1 627 646	-738 123
Change in other assets	25 969	-42 460	-40 816
Changes in operating liabilities			
Change in deposits by credit institutions	7 707 070	1 084 848	-25 029 556
Change in debt securities in issue	-4 144 774	4 472 334	44 619 906
Change in other liabilities	182 735	896 928	545 502
Cash flow from operating activities	265 638	238 626	689 747
Financing activities			
Change in subordinated loan capital	7	-230	-922
Dividend paid	-534 000	-484 900	-484 900
Share Based Payment Programme EIP	93		299
Cash flow from financing activities	-533 900	-485 130	-485 523
Cash flow for the year	-268 262	-246 505	204 224
Cash and cash equivalents at beginning of the period	471 612	267 389	267 389
Cash and cash equivalents at end of the period	203 348	20 884	471 612
Change	-268 264	-246 505	204 223

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, 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, deposits from credit institutions 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 Eiendoms kreditt AS are prepared in accordance with IAS 34 “Interim Financial Reporting”, as adopted by the EU. In addition, certain complementary rules in the Norwegian Accounting Act with supported regulation have been applied.

The report includes a condensed set of financial statements and is to be read in conjunction with the audited consolidated financial statement for the year ended 31 December 2020.

With exception for the items presented in the section “Changed accounting policies and presentation” below, the accounting policies and methods of computation are unchanged in comparison to Note 1 in the Annual Report 2020. For more information see Note 1 in the Annual Report 2020.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea Eiendoms kreditt 1 January 2021.

Interest rate benchmark reform - Phase 2

In 2020 the International Accounting Standards Board (IASB) published amendments to International Financial Reporting Standard (IFRS) 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in “Interest Rate Benchmark Reform – Phase 2”. Phase 2 of the interbank offered rate (IBOR) reform includes three major areas, hedge accounting, modifications and disclosures. The amendments were implemented by Nordea Eiendoms kreditt on 1 January 2021. Hedge relationships in Nordea Eiendoms kreditt have been able to continue as before and no material modification gains or losses have been recognised. For this reason the amendments have not had any significant impact on Nordea Eiendoms kreditt’s financial statements, capital adequacy or large exposures.

The amendment clarifies that hedge accounting does not have to be discontinued in the event that hedged items and hedging instruments are modified due to the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Any valuation adjustments resulting from the amendments are recognised as part of hedge ineffectiveness.

Modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis are not accounted for as modifications for instruments measured at amortised cost. For such modifications, the effective interest rate is amended in line with the modified cash flows.

Other amendments to IFRS

Other amendments to IFRS are not assessed to have any significant impact on Nordea Eiendoms kreditt’s financial statements, capital adequacy or large exposures in the period of initial application.

Critical judgements and estimation uncertainty

Nordea Eiendoms kreditt has applied significant critical judgements in the preparation of the interim report for the first half quarter of 2021, due to the significant uncertainties in relation to the potential long-term impact of Covid-19 on Nordea Eiendoms kreditt’s financial statements. More information on where critical judgements are generally applied and where estimation uncertainty exists, can be found in the Annual Report 2020, Note 1 “Accounting policies”, section 4. Areas particularly important in the first quarter are loans to the public and provisions for loan losses.

Critical judgement has been applied in the assessment of when loans have experienced a significant increase in credit risk (staging) and in the application of macro scenarios when estimating the increase in expected credit losses. More information on the impairment testing of loans to the public can be found in Note 5.

Exchange rates

	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
GBP 1 = NOK			
Income statement (average)	11,7369	12,1443	12,0664
Balance sheet (at end of period)	11,7662	13,0682	11,6589
EUR 1 = NOK			
Income statement (average)	10,2638	10,4678	10,7291
Balance sheet (at end of period)	10,0195	11,5405	10,4703

Note 2 Net interest income

	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
NOKt			
Interest income calculated using the effective interest rate method	1 168 206	1 853 175	5 491 474
Other interest income	7 479	23 887	51 735
Interest expense	495 564	1 318 342	3 144 447
Net interest income	680 121	558 721	2 398 762
Interest income calculated using the effective interest rate method			
Loans to credit institutions	378	842	2 186
Loans to customers	1 156 879	1 841 186	5 449 585
Yield fees and interest on hedges of assets	10 949	11 147	39 703
Interest income	1 168 206	1 853 175	5 491 474
Other interest income			
Interest-bearing securities measured at fair value	7 479	23 887	51 735
Other interest income¹	7 479	23 887	51 735
Interest expense			
Deposits by credit institutions	215 668	723 619	1 498 762
Debt securities in issue	350 960	579 466	1 831 671
Subordinated loan capital	12 689	20 684	61 820
Other interest and related expense ¹	-83 753	-5 428	-247 806
Interest expense	495 564	1 318 342	3 144 447

Interest from categories of financial instruments

	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
NOKt			
Financial assets at amortised cost	1 173 084	1 853 510	5 505 765
Financial assets at fair value through profit and loss (related to hedging instruments) ¹	-4 878	-335	-14 291
Financial assets at fair value through profit or loss	7 479	23 887	51 735
Financial liabilities at amortised cost	-600 767	-1 344 911	-3 482 636
Financial liabilities at fair value through profit or loss	105 202	26 569	338 189
Net interest income	680 121	558 721	2 398 762

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

Note 3 Net result from items at fair value

	Jan-Mar 2021	Jan-Mar 2020	Year 2020
NOKt			
Financial instruments at FVPL - Mandatorily ¹	16 729	-31 485	-21 292
Financial instruments under hedge accounting	-38 691	-38 600	-12 800
- of which net gains/losses on hedged items	324 906	-827 283	-504 547
- of which net gains/losses on hedging instruments	-363 597	788 684	491 747
Total	-21 962	-70 084	-34 092

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

Note 4 Loan losses

Net loan losses			
NOKt	Jan-Mar 2021	Jan-Mar 2020	Year 2020
Net loan losses, Stage 1	-11 177	-339	28 779
Net loan losses, Stage 2	-5 937	-8 571	33 737
Total loan losses, non-defaulted¹	-17 114	-8 910	62 515
Stage 3, defaulted			
Net loan losses, individually assessed, collectively calculated	631	922	34 123
Realised loan losses	9 629	1 969	8 103
Decrease of provisions to cover realised loan losses	-6 559	-1 496	-4 026
Reversals of provisions	-598	-17	-2 426
Net loan losses, defaulted	3 103	1 378	35 775
Net loan losses	-14 011	-7 531	98 290

Key ratios¹			
	Jan-Mar 2021	Jan-Mar 2020	Year 2020
Loan loss ratio, basis points	-2,09	-1,21	3,82
- of which stage 1	-1,66	-0,05	1,12
- of which stage 2	-0,88	-1,38	1,31
- of which stage 3	0,46	0,22	1,39

¹ Net loan losses divided by average total loans during the period

Note 5 Loans and impairment

Loans and impairment			
NOKt	31 Mar 2021	31 Mar 2020	31 Dec 2020
Loans measured at amortised cost, not impaired (Stage 1 and 2)	269 476 804	250 121 960	265 461 969
Impaired loans (Stage 3)	705 542	924 682	777 534
- of which servicing	178 233	179 319	183 567
- of which non-servicing	527 309	745 362	593 967
Loans before allowances	270 182 346	251 046 641	266 239 503
Allowances for individually assessed impaired loans (Stage 3)	-68 770	-47 043	-75 304
- of which servicing	-10 982	-4 995	-9 092
- of which non-servicing	-57 788	-42 047	-66 213
Allowances for collectively assessed impaired loans (Stage 1 and 2)	-98 896	-46 433	-114 948
Allowances	-167 666	-93 475	-190 252
Loans, carrying amount	270 014 680	250 953 166	266 049 251

Note 5 Loans and impairment cont.

Movements of allowance accounts for loans measured at amortised cost

NOKt	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	-41 946	-73 003	-75 304	-190 252
Changes due to origination and acquisition	-1 438	-188	-432	-2 058
Changes due to transfers from Stage 1 to Stage 2	1 791	-26 614	0	-24 823
Changes due to transfers from Stage 1 to Stage 3	42	0	-512	-470
Changes due to transfers from Stage 2 to Stage 1	-1 322	22 774	0	21 452
Changes due to transfers from Stage 2 to Stage 3	0	922	-3 793	-2 871
Changes due to transfers from Stage 3 to Stage 1	-33	0	387	354
Changes due to transfers from Stage 3 to Stage 2	0	-779	3 845	3 066
Changes due to changes in credit risk without stage transfer	8 021	4 097	-6 910	5 208
Changes due to repayments and disposals	3 048	5 730	7 391	16 169
Write-off through decrease in allowance account	0	0	6 559	6 559
Balance at 31 March 2021	-31 835	-67 060	-68 770	-167 666

Movements of allowance accounts for loans measured at amortised cost

NOKt	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	-15 559	-39 837	-47 718	-103 114
Changes due to origination and acquisition	-497	-221	-1 258	-1 976
Changes due to transfers from Stage 1 to Stage 2	849	-8 250	0	-7 401
Changes due to transfers from Stage 1 to Stage 3	40	0	-706	-666
Changes due to transfers from Stage 2 to Stage 1	-4 569	16 904	0	12 335
Changes due to transfers from Stage 2 to Stage 3	0	1 067	-2 565	-1 498
Changes due to transfers from Stage 3 to Stage 1	-526	0	3 379	2 853
Changes due to transfers from Stage 3 to Stage 2	0	-151	1 385	1 234
Changes due to changes in credit risk without stage transfer	5 112	-795	441	4 758
Balance at 31 March 2020	-15 149	-31 284	-47 043	-93 475

Key ratios

	31 Mar 2021	31 Mar 2020	31 Dec 2020
Impairment rate, (stage 3) gross, basis points ¹	26,1	36,9	29,2
Impairment rate (stage 3), net, basis points ²	23,6	35,0	26,4
Total allowance rate (stage 1, 2 and 3), basis points ³	6,2	3,7	7,1
Allowances in relation to credit impaired loans (stage 3), % ⁴	9,7	5,1	9,7
Allowances in relation to loans in stage 1 and 2, basis points ⁵	3,7	1,9	4,3

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.

Forbearance

Forbearance refers to eased terms or restructuring of credit terms and conditions due to the borrower experiencing financial difficulties. The intention of granting forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of eased terms are changes in amortisation profile, repayment schedule, customer margin or eased financial covenants. Forbearance is undertaken on an individual basis, according to internal guidelines, and followed by impairment testing. Forborne exposures can be servicing or non-servicing. Individual loan loss provisions are recognised if necessary. Customers with forbearance measures are transferred to stage 2, unless already identified as credit impaired (stage 3).

During 2020 Nordea Eiendoms kreditt has offered Covid-19 related instalment-free periods to customers. These were generally granted

to customers experiencing only short-term liquidity issues due solely to Covid-19 and were not registered as forbearance due to the temporary nature. Nordea Eiendoms kreditt has now returned to the normal forbearance registration procedures, while still continuing to support customers through the crisis.

At the end of the first quarter of 2021 the carrying amount of loans where Nordea Eiendoms kreditt had granted Covid-19-related instalment-free periods was NOK 28bn, which corresponds to 9.7% of the loan portfolio (NOK 26bn and 10.7% at end of December 2020). Loans corresponding to NOK 8.4bn (of the aforementioned NOK 28bn) were still subject to instalment-free periods at the end of the quarter. The instalment-free periods have thus expired on more than 70% the total carrying amount of loans on which they were originally granted, and customers have returned to normal payment schedules.

NOKt	31 Mar 2021	31 Mar 2020	31 Dec 2020
Forborne loans	932 621	814 622	979 611
-of which defaulted	81 029	112 883	116 072
Allowances for forborne loans	9 183	8 297	8 378
-of which defaulted	2 494	2 026	2 375

Key ratios

Forbearance ratio, basis points ⁶⁾	34,5	32,5	36,8
Forbearance coverage ratio, % ⁷⁾	1,0	1,0	0,9
-of which defaulted, %	3,1	1,8	2,0

⁶⁾ Forborne loans/Loans before allowances.

⁷⁾ Individual allowances/Forborne loans.

Forward looking information

Forward looking information is used both for assessing significant increases in credit risk and in the calculation of expected credit losses. Nordea Eiendomskreditt uses three macroeconomic scenarios, a base scenario, a favourable scenario and an adverse scenario. For the first quarter of 2021 the scenarios were weighted into the final expected credit losses (ECL) as follows: baseline 50%, adverse 45% and favourable 5% (baseline 50%, adverse 45% and favourable 5% at year-end 2020). The weight on the adverse scenario was increased in the third quarter of 2020 to give more weight to the downside risks related to the Covid-19 pandemic on the economy. The baseline scenario was still maintained as the most probable one.

The macroeconomic scenarios are provided by Group Risk and Compliance (GRC) in Nordea, based on the Oxford Economics model. The forecast is a combination of modelling and expert judgement, subject to thorough checks and quality control processes. The model has been built to give a good description of the historical relationships between economic variables and to capture the key linkages between those variables. The forecast period in the model is ten years, and for periods beyond, a long-term average is used in the ECL calculations.

The macro scenarios reflect Nordea's view of how the Covid-19 virus and lock-downs potentially can impact the economic outlook. The scenarios also reflect the macroeconomic effects of government and central bank support measures. When developing the scenarios, Nordea took into account projections made by Nordic governments

and central banks, Nordea Research and the ECB's macroeconomic forecasts for the euro area.

The labour market support scheme has played a significant role in supporting the Norwegian economy during last year's lock-down phases, and the support to household incomes and cost relief to companies from the labour market scheme has been substantial throughout 2020 and the first quarter of 2021. Although the economic recovery during the second half of 2020 appeared to be relatively strong, growth in 2021 is predicted to be modest, as the outlook is still clouded by a high level of uncertainty. The roll-out of vaccines and the willingness of the Norwegian government to extend special support measures for sectors hit by new lock-downs, point to a continued but modest recovery in the baseline.

At the end of the first quarter of 2021 adjustments to model-based allowances/provisions amounted to NOK 99m, including management judgements. The management judgements cover expected credit losses not yet covered by the IFRS model. The cyclical reserve amounted to NOK 74m at the end of the first quarter of 2021 (NOK 82m at the end of the fourth quarter of 2020). The structural reserve (to be covered by later model updates) amounted to NOK 25m (NOK 26m at the end of the fourth quarter of 2020). The estimation was supported by model scenarios for stressed simulation of the ECL (Expected Credit Loss) including a downside scenario with a decline in gross domestic product (GDP) in 2021 followed by slow recoveries in 2022 and 2023. The total loan loss allowances as of 31 March 2021 was NOK 168m.

Real GDP, % y/y	2021	2022	2023
Favourable scenario	4,1	3,2	1,6
Baseline scenario	2,8	3,6	1,7
Adverse scenario	-0,4	2,8	3,7

Note 6 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.

Fair value through profit or loss (FVPL)

31 March 2021, NOKt	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial assets	Total
Assets					
Loans to credit institutions	203 348				203 348,0
Loans to the public	270 014 680				270 014 680,0
Interest-bearing securities		5 233 484			5 233 484,4
Derivatives		7 435	1 188 125		1 195 560
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1 691				1 691
Equipment owned and RoU				172	172
Prepaid expenses and accrued income	37 161			1 995	39 156
Total assets	270 256 880	5 240 919	1 188 125	2 168	276 688 093

Fair value through profit or loss (FVPL)

31 March 2021, NOKt	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions	114 645 935				114 645 935
Debt securities in issue	138 598 799				138 598 799
Derivatives		50 316	-26 865		23 450
Fair value changes of the hedged items in portfolio hedge of interest rate risk	413 465				413 465
Current tax liabilities				308 573	308 573
Other liabilities	536 444			11 814	548 258
Accrued expenses and prepaid income	268			123 097	123 365
Deferred tax liabilities				127 439	127 439
Provisions				3 528	3 528
Retirement benefit obligations				23 421	23 421
Subordinated loan capital	2 301 739				2 301 739
Total liabilities	256 496 650	50 316	-26 865	597 873	257 117 973

Note 7 Derivatives and hedge accounting

31 March 2021, NOKt	Positive	Fair value Negative	Total nominal amount
Derivatives at FVPL - Mandatorily ¹:			
Interest rate sw aps	7 435	50 316	49 000 000
Total	7 435	50 316	49 000 000
Derivatives used for hedge accounting:			
Interest rate sw aps	819 584	-26 865	22 536 000
Currency interest rate sw aps	368 541	0	4 340 730
Total	1 188 125	-26 865	26 876 730
- of w hich fair value hedges	819 584	-26 865	22 536 000
- of w hich cash flow hedges	368 541	0	4 340 730
Total derivatives	1 195 560	23 450	75 876 730

31 December 2020, NOKt	Positive	Fair value Negative	Total nominal amount
Derivatives at FVPL - Mandorily ¹:			
Interest rate sw aps	4 454	46 751	44 000 000
Total	4 454	46 751	44 000 000
Derivatives used for hedge accounting:			
Interest rate sw aps	991 179	-7 533	22 714 000
Currency interest rate sw aps	427 426	0	4 340 730
Total	1 418 605	-7 533	27 054 730
- of w hich fair value hedges	991 179	-7 533	22 714 000
- of w hich cash flow hedges	427 426	0	4 340 730
Total derivatives	1 423 059	39 217	71 054 730

31 March 2020, NOKt	Positive	Fair value Negative	Total nominal amount
Derivatives at FVPL - Mandorily ¹:			
Interest rate sw aps	0	76 279	37 000 000
Total	0	76 279	37 000 000
Derivatives used for hedge accounting:			
Interest rate sw aps	1 400 263	12 459	22 098 000
Currency interest rate sw aps	961 839	0	4 340 730
Total	2 362 102	12 459	26 438 730
- of w hich fair value hedges	1 400 263	12 459	22 098 000
- of w hich cash flow hedges	961 839	0	4 340 730
Total derivatives	2 362 102	88 738	63 438 730

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 8 Fair value of financial assets and liabilities

NOKt	31 Mar 2021		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	270 219 719	270 198 974	266 549 354	266 415 070
Interest-bearing securities	5 233 484	5 233 484	5 181 071	5 181 071
Derivatives	1 195 560	1 195 560	1 423 059	1 423 059
Other assets	0	0	0	0
Prepaid expenses and accrued income	37 161	37 161	36 755	36 755
Total financial assets	276 685 924	276 665 179	273 190 239	273 055 955
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Deposits and debt instruments	255 959 938	256 921 453	252 779 239	254 196 841
Derivatives	23 450	23 450	39 218	39 218
Other financial liabilities	536 444	536 444	1 447	1 447
Accrued expenses and prepaid income	268	268	351	351
Total financial liabilities	256 520 100	257 481 615	252 820 255	254 237 857

The determination of fair value is described in the Annual Report 2020, Note 18 Assets and liabilities at fair value.

Note 9 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 March 2021, NOKt				
Financial assets ¹				
Interest-bearing securities		5 233 484		5 233 484
Derivatives		1 195 560	0	1 195 560
Total assets	0	6 429 044	0	6 429 044
Financial liabilities ¹				
Derivatives		23 450		23 450
Total liabilities	0	23 450	0	23 450
	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
31 December 2020, NOKt				
Financial assets ¹				
Interest-bearing securities		5 181 071		5 181 071
Derivatives		1 122 645	300 414	1 423 059
Total assets	0	6 303 716	300 414	6 604 130
Financial liabilities ¹				
Derivatives		39 218		39 218
Total liabilities	0	39 218	0	39 218

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

Note 9 Financial assets and liabilities measured at fair value on the balance sheet cont.

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 2020, 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.

Movements in Level 3

31 March 2021, NOKt	1 Jan 2021	Transfers into Level 3	Transfers out of Level 3	31 Mar 2021
Derivatives (net)	300 414		-300 414	0

Unrealised gains and losses relates to those assets and liabilities held at the end of the reporting period. During the period Nordea Eiendoms kreditt AS had transfers from level 3 to level 2 of the fair value hierarchy. The reason for the transfer into level 2, was that observable market data has now become available also for maturities longer than 20 years. Fair value gains and losses in the income statement during the year are included in Net result from items at fair value, see Note 3 "Net result from items at fair value".

Valuation techniques and inputs used in the fair value measurements in Level 3

31 March 2021, NOKt	Fair value	Valuation techniques	Unobservable input
Derivatives			
Interest rate derivatives	0	Option model	Correlation, volatilities
Foreign exchange derivatives	0	Option model	Correlation, volatilities
Total	0		

The tables above shows, for each class of assets and liabilities categorised in level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and for financial assets and liabilities the fair value sensitivity to changes in key assumptions.

Fair value of assets and liabilities in level 3 are estimated using valuation techniques based on assumptions that are not supported by market observable prices or rates. There may be uncertainty about a valuation, resulting from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a result of other elements affecting the valuation technique. For financial instruments portfolio adjustments are applied to reflect such uncertainties and are deducted from the fair values produced by the models or other valuation techniques (for further information see the Annual report 2020, Note 1 section 10 "Financial instruments").

Note 10 Cover Pool

NOKt	31 Mar 2021		31 Mar 2020		31 Dec 2020	
	Nominal value	Net Present Value	Nominal value	Net Present Value	Nominal value	Net Present Value
- w hereof ool of eligible loans	188 230 721	188 216 257	162 194 327	162 324 367	184 644 537	184 551 339
Supplementary assets and derivatives:						
- w hereof CIRS	332 271	402 946	890 589	982 689	343 862	457 787
- w hereof IRS	0	933 098	0	1 602 585	0	1 113 390
Total cover pool	188 562 992	189 552 301	163 084 916	164 909 640	184 988 400	186 122 516
Debt securities in issue (net outstanding amount)	137 549 501	138 637 420	101 847 319	103 863 780	141 793 592	143 152 487
Over-collateralization calculated on net outstanding covered bonds	37,1 %	36,7 %	60,1 %	58,8 %	30,5 %	30,0 %
Debt securities in issue (issue amount)	137 549 501	138 637 420	101 847 319	103 863 780	141 793 592	143 152 487
Over-collateralization calculated on issued covered bonds (gross outstanding covered bonds) ¹	37,1 %	36,7 %	60,1 %	58,8 %	30,5 %	30,0 %

¹without deduction for holdings of own bonds, if any.

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 11 Debt securities in issue and loans from financial institutions

NOKt	31 Mar 2021			31 Mar 2020		
	Nominal value	Other ¹	Carrying amount	Nominal value	Other ¹	Carrying amount
Covered bonds issued in Norwegian kroner	132 876 500			96 616 000		
Holdings of own covered bonds in Norwegian kroner	0			0		
Outstanding covered bonds issued in Norwegian kroner	132 876 500			96 616 000		
Covered bonds issued in GBP (in NOK)	3 671 051			4 077 269		
Covered bonds issued in EUR (in NOK)	1 001 950			1 154 050		
Total outstanding covered bonds	137 549 501	1 049 298	138 598 799	101 847 319	0	101 847 319
Loans and deposits from financial institutions for a fixed term	114 543 952	101 983	114 645 935	132 019 951	328 402	132 348 353
Subordinated loan	2 300 000	1 739	2 301 739	2 300 000	2 424	2 302 424
Total	254 393 453	1 153 020	255 546 473	236 167 270	330 826	236 498 096

¹ Related to accrued interest and premium/discount on issued bonds.

Maturity information

Maximum 1 year	116 775 996	29 773 650
More than 1 year	137 617 457	206 393 620
Total	254 393 453	236 167 270

Norwegian covered bonds (NOKt) at 31 March 2021

ISIN code	Issue date	Final payment date	Interest	Interest rate in %	Currency	Outstanding nominal amount
NO0010584345	02.09.2010	16.06.2021	Fixed	4,25	NOK	6 355 500
NO0010593064	22.12.2010	18.06.2025	Fixed	4,80	NOK	550 000
NO0010729817	26.01.2015	16.06.2021	Float	3M Nibor + 0.20%	NOK	4 054 000
NO0010758931	08.03.2016	15.06.2022	Fixed	1,80	NOK	4 615 000
NO0010759632	17.03.2016	15.06.2022	Float	3M Nibor + 0.78%	NOK	18 552 000
NO0010766827	21.06.2016	18.06.2031	Fixed	2,20	NOK	500 000
NO0010812084	11.12.2017	17.09.2043	Fixed	2,20	NOK	300 000
NO0010819717	21.02.2018	21.06.2023	Float	3M Nibor + 0.30%	NOK	18 550 000
NO0010821986	04.05.2018	04.05.2048	Fixed	2,60	NOK	300 000
NO0010843626	26.02.2019	19.06.2024	Float	3M Nibor + 0.34%	NOK	18 900 000
NO0010852650	22.05.2019	22.05.2026	Fixed	2,17	NOK	5 050 000
NO0010873334	22.02.2020	19.03.2025	Float	3M Nibor + 0.26%	NOK	11 400 000
NO0010878374	03.04.2020	15.12.2021	Float	3M Nibor + 0.20%	NOK	36 000 000
NO0010893282	16.09.2020	16.09.2025	Float	3M Nibor + 1.50%	NOK	7 750 000
Total						132 876 500

Covered bonds issued in foreign currency at 31 March 2021

ISIN code	Issue date	Final payment date	Interest	Interest rate in %	Currency	Outstanding nominal amount
XS1487838291	09.09.2016	09.09.2021	Float	3M GBP Libor + 0.42%	GBP	12 000
XS1837099339	18.06.2018	18.06.2023	Float	3M GBP Libor + 0.33%	GBP	300 000
XS1451306036	19.07.2016	15.07.2031	Fixed	0,738	EUR	100 000
Total (in NOKt equivalent)						4 673 001

Note 12 Capital adequacy

Summary of items included in own funds

NOKm	31 Mar 2021	31 Dec ¹ 2020	31 Mar 2020
Equity in the consolidated situation	19 225	19 759	18 801
Proposed/actual dividend		-534	
Common Equity Tier 1 capital before regulatory adjustments	19 225	19 225	18 801
Deferred tax assets			
Intangible assets			
IRB provisions shortfall (-)	-176	-136	-343
Pension assets in excess of related liabilities			
Other items, net	41	39	-76
Total regulatory adjustments to Common Equity Tier 1 capital	-135	-97	-419
Common Equity Tier 1 capital (net after deduction)	19 090	19 128	18 382
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)	19 090	19 128	18 382
Tier 2 capital before regulatory adjustments	2 300	2 300	2 300
IRB provisions excess (+)	79	61	29
Deductions for investments in insurance companies			
Other items, net			
Total regulatory adjustments to Tier 2 capital	79	61	29
Tier 2 capital	2 379	2 361	2 329
Own funds (net after deduction)²	21 469	21 489	20 711

¹ Including profit for the period

² Own Funds adjusted for IRB provision, i.e. adjusted own funds equal NOK 21,566m by 31 Mar 2021

Own Funds, including profit

NOKm	31 Mar 2021	31 Dec 2020	31 Mar 2020
Common Equity Tier 1 capital, including profit	19 174	19 128	18 494
Total Own Funds, including profit	21 553	21 489	20 823

Note 12 Capital adequacy cont.

Minimum capital requirement and REA (Risk Exposure Amount)

	31 Mar 2021	31 Mar 2021	31 Dec 2020	31 Dec 2020	31 Mar 2020	31 Mar 2020
	Minimum Capital requirement	Minimum Capital requirement	Minimum Capital requirement	Minimum Capital requirement	Minimum Capital requirement	Minimum Capital requirement
NOKm	REA	REA	REA	REA	REA	REA
Credit risk	4 851	60 638	4 807	60 091	4 615	57 683
- of which counterparty credit risk	24	297	27	341	43	536
IRB	4 823	60 293	4 773	59 658	4 572	57 142
- sovereign						
- corporate						
- <i>advanced</i>						
- <i>foundation</i>						
- institutions	18	226	15	180	15	180
- retail	4 805	60 066	4 758	59 477	4 555	56 933
- <i>secured by immovable property collateral</i>	4 255	53 194	4 172	52 146	3 793	47 408
- <i>other retail</i>	550	6 872	586	7 331	762	9 525
- other	0	1	0	1	2	29
Standardised	28	345	34	433	43	541
- institutions	28	345	34	433	43	541
Credit Value Adjustment Risk						
Market risk						
- trading book, Internal Approach						
- trading book, Standardised Approach						
- banking book, Standardised Approach						
Settlement risk						
Operational risk	228	2 845	195	2 434	195	2 434
Standardised	228	2 845	195	2 434	195	2 434
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	2	27	2	21	1	23
Additional risk exposure amount due to Article 3 CRR						
Total	5 081	63 510	5 004	62 546	4 811	60 140

Note 12 Capital adequacy cont.

Minimum Capital Requirement & Capital Buffers

Percentage	Minimum Capital requireme	Capital Buffers				Capital Buffers total	Total
		CCoB	CCyB	O-SII	SRB		
Common Equity Tier 1 capital	4,5	2,5	1,0		4,5	8,0	12,5
Tier 1 capital	6,0	2,5	1,0		4,5	8,0	14,0
Ow n funds	8,0	2,5	1,0		4,5	8,0	16,0
NOKm							
Common Equity Tier 1 capital	2 858	1 588	633		2 850	5 072	7 930
Tier 1 capital	3 811	1 588	633		2 850	5 072	8 882
Ow n funds	5 081	1 588	633		2 850	5 072	10 152

Common Equity Tier 1 available to meet Capital Buffers

	31 Mar	31 Dec ¹	31 Mar
Percentage points of REA	2021	2020	2020
Common Equity Tier 1 capital	24,1	24,6	24,6

¹ Including profit for the period

Capital ratios

	31 Mar	31 Dec	31 Mar
Percentage	2021	2020	2020
Common Equity Tier 1 capital ratio, including profit	30,2	30,6	30,8
Tier 1 capital ratio, including profit	30,2	30,6	30,8
Total capital ratio, including profit	33,9	34,4	34,6
Common Equity Tier 1 capital ratio, excluding profit	30,1	29,7	30,6
Tier 1 capital ratio, excluding profit	30,1	29,7	30,6
Total capital ratio, excluding profit	33,8	33,5	34,4

Leverage ratio

	31 Mar	31 Dec ¹	31 Mar
	2021	2020	2020
Tier 1 capital, transitional definition, NOKm	19 090	19 128	18 382
Leverage ratio exposure, NOKm	289 900	285 725	269 875
Leverage ratio, percentage	6,6	6,7	6,8

¹ Including profit for the period

Note 12 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:
Corporate, advanced IRB:			-0		-200
<i>of which</i>					
- unrated			-0		-200
- defaulted					
Institutions, foundation IRB:	3 120		3 120		7
<i>of which</i>					
- rating grades 6	3 120		3 120		7
Retail, of which secured by real estate:	240 586	6 296	242 727	2 141	22
<i>of which</i>					
- scoring grades A	197 794	5 607	199 700	1 907	21
- scoring grades B	29 477	508	29 650	173	21
- scoring grades C	9 818	156	9 871	53	24
- scoring grades D	3 015	25	3 023	8	39
- scoring grades E					
- scoring grades F					
- not scored					
- defaulted	482	0	483	0	242
Retail, of which other retail:	29 598	19 779	36 323	6 725	19
<i>of which</i>					
- scoring grades A	15 069	17 320	20 958	5 889	7
- scoring grades B	2 831	1 337	3 285	454	14
- scoring grades C	884	435	1 032	148	26
- scoring grades D	6 293	509	6 466	173	37
- scoring grades E	2 970	112	3 008	38	39
- scoring grades F	868	15	874	5	57
- not scored	601	43	616	15	63
- defaulted	82	8	84	3	303
Other non credit-obligation assets:	2		2		100

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

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

Note 13 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.

There are significant risks caused by the Covid-19 pandemic given the uncertainty of the economic impact on the Norwegian mortgage market. Depending on future developments, potential adverse impacts on income could arise due to lower net interest income and

increased loan losses. Potential future credit risk losses are addressed in Note 5 and in the section "Net loan losses" in the Board of Directors' Report.

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 2020.

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

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 currency swaps. Counterparties to all derivative contracts are Nordea Group internal. The volume and fair value of the derivative contracts are shown in note 7.

Nordea Bank Abp, filial i Norge provides short term unsecured funding to Nordea Eiendomskreditt, and at the end of the first quarter 2021 such borrowings amounted to NOK 114,6 billion.

Subordinated loans provided by Nordea Bank Abp was NOK 2.3 billion at the end of the first quarter. In addition, Nordea Bank Abp

had a holding of covered bonds issued by Nordea Eiendomskreditt of NOK 36.1 billion at the end of the first quarter of 2021.

Loans to the public are managed by Nordea Bank Abp, filial i Norge. For loans issued directly from Nordea Eiendomskreditt, credit assessment and other processes in relation to the loan origination, as well as managing the loans throughout the lifetime, are performed in Nordea Bank Abp, filial i Norge. For this service Nordea Eiendomskreditt has paid Nordea Bank Abp, filial i Norge an amount of NOK 206 million in the first quarter of 2021.

Nordea Eiendomskreditt also buys services related to funding and risk control, accounting and reporting, people services and IT services from other Nordea companies according to agreements entered into. For these services Nordea Eiendomskreditt has paid NOK 7 million in the first quarter of 2021.

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