

Nordea

Interim Report 2nd quarter 2023

Nordea Eiendoms kreditt AS

(unaudited)



Key financial figures

Summary of the income statement (NOKm)

	Jan-Jun 2023	Jan-Jun 2022	Year 2022
Net interest income	1 191	1 308	2 319
Net fee and commission income	35	42	77
Net result from items at fair value	-45	-4	-11
Other operating income	0	2	3
Total operating income	1 182	1 348	2 388
Staff costs	18	15	31
Other expenses	725	765	1 387
Total operating expenses	742	780	1 419
Loan losses (negative figures are reversals)	67	22	106
Operating profit	372	546	863
Income tax expense	93	136	215
Net profit for the period	279	409	648

Summary of the balance sheet (NOKm)

	30 Jun 2023	30 Jun 2022	31 Dec 2022
Loans to the public, gross	333 626	315 450	323 563
Allowance for loan losses	-373	-229	-311
Other assets	11 721	6 269	6 555
Debt securities in issue	168 332	127 392	149 352
Other liabilities	154 950	172 277	158 401
Equity	21 692	21 821	22 054
Total assets	344 974	321 490	329 807
Average total assets	337 334	317 978	322 559

Ratios and key figures

	30 Jun 2023	30 Jun 2022	31 Dec 2022
Basic/diluted Earnings per share (EPS), annualised basis, NOK	33,2	48,8	38,6
Equity per share ¹ , NOK	1 293	1 300	1 314
Shares outstanding ¹ , million	16,8	16,8	16,8
Return on average equity	2,6 %	3,7 %	2,9 %
Cost/income ratio	62,8 %	57,9 %	59,4 %
Loan loss ratio, annualised, basis points	4,1	1,4	3,4
Risk Exposure Amount ¹ , NOKm	82 642	78 181	80 161
Own funds, NOKm ^{1,2}	22 542	22 475	22 530
Common Equity Tier 1 capital ratio	25,8%	27,3%	26,6%
Tier 1 capital ratio ^{1,2}	25,8%	27,3%	26,6%
Total capital ratio ^{1,2}	27,3%	28,7%	28,1%
Number of employees (Full-time equivalents) ¹	22,0	20,5	21,5

¹ At the end of the period.

² Excluding the year to date profit for the interim period.

Nordea Eiendomskreditt AS is part of the Nordea Group. Nordea is a universal bank with a 200-year history of supporting and growing the Nordic economies – enabling dreams and aspirations for a greater good. Every day, we work to support our customers' financial development, delivering best-in-class omnichannel customer experiences and driving sustainable change. The Nordea share is listed on the Nasdaq Helsinki, Nasdaq Copenhagen and Nasdaq Stockholm exchanges. Read more about us on nordea.com.

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Board of Directors' Report

Introduction

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

Nordea Eiendoms kreditt AS is licensed by the Norwegian Financial Supervisory Authority to issue covered bonds. 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 covered bonds. The loan portfolio amounts to NOK 333 billion at 30 June 2023. The mortgage loans are originated directly from own balance sheet or bought from the parent bank. Nordea Eiendoms kreditt is a wholly owned subsidiary of Nordea Bank Abp and part of the Personal Banking Business Area in Nordea. The company's registered business address is located in Oslo.

Nordea Eiendoms kreditt to acquire Danske Bank's Norwegian mortgage loan portfolio

On 19 July 2023 it was announced that Nordea has entered into an agreement with Danske Bank to acquire its Norwegian personal customer and private banking business and associated asset management portfolios. The transaction is structured as a transfer of assets and liabilities, of which the mortgage loan portfolio will be purchased by Nordea Eiendoms kreditt AS. The transaction is subject to regulatory approvals and is expected to close in late 2024. For further information, please see the press release published at

<https://www.nordea.com/en/press/2023-07-19/nordea-to-acquire-danske-banks-personal-customer-business-and-associated-savings-assets-in-norway>

Income Statement

Profit before loan losses

Operating profit in the first half year of 2023 was NOK 372 million, a significant reduction from NOK 546 million in the first half year of 2022. The reduction compared to last year is mainly driven by lower lending margins from the mortgage loan portfolio, negative result from items at fair value and higher loan losses booked this year. Return on average equity is down to 2.6% (3.7%) on an annualised basis. The return on equity is on a historical low level, to a large extent explained by significantly tighter lending spreads due to rapidly increasing market rates, but also as a result of the agreed pricing model for sales- and distribution fees that are paid to the parent bank.

Net interest income in the first half year decreased by 8.9% compared to the same period last year and amounted to NOK 1 191 million (NOK 1 308 million). The decrease is explained by lower lending margins, partly offset by higher

lending volume and higher income from the liquidity portfolio.

Total operating expenses in the first half year amounted to NOK 742 million (NOK 780 million). NOK 17 million (NOK 15 million) of operating expenses is staff related. The increase is mainly related to increased number of employees. Other operating expenses are mainly related to services bought from the parent bank, such as sales and distribution of mortgage loans, management of the loan portfolio, as well as treasury services, risk control and other supporting services. The main part is related to sales, distribution and management of the mortgage loans, where the fee is calculated based on net interest income, and will therefore fluctuate between periods. All group internal transactions are settled according to market-based principles on conformity with OECD guidelines on transfer pricing. The cost/income ratio for the first half year 2023 was 62.8% (57.9%).

Net loan losses

Loan losses and provisions recognised in the accounts for the first half year of 2023 were NOK 67 million (NOK 22 million), whereof NOK 62 million is related to increased allowances for mortgage loans on the balance sheet. Loan loss allowances have thus increased from NOK 311 million at the beginning of the year, to NOK 373 million at 30 June 2023, mainly due to migration into Stage 2, and change of macroeconomic scenarios.

Management judgement provisions are kept mainly unchanged during the first half year of 2023. Nordea Eiendoms kreditt will continue to take appropriate actions to adjust 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.

Realised loan losses in the first half year were NOK 1.7 million. The underlying net loan losses in Nordea Eiendoms kreditt are low, reflecting a strong underlying credit portfolio. No deterioration in credit quality have been observed in the second quarter. See note 4 and note 5 for further information about loan losses and impairment.

Funding and liquidity

During the first half year of 2023 Nordea Eiendoms kreditt issued covered bonds amounting to NOK 42.8 billion in the Norwegian domestic market under its NOK 250 billion domestic covered bond programme. In the same period a NOK equivalent of NOK 23.2 billion have been bought back or matured. As of 30 June 2023, Nordea Eiendoms kreditt had outstanding covered bonds totalling NOK 166.6 billion in the Norwegian market and EUR 0.1 billion in the European market. Nordea Eiendoms kreditt also had subordinated debt outstanding to the amount of NOK 1.1

billion. In addition to the long-term funding, Nordea Eiendoms kreditt also raised unsecured funding from the parent bank. At the end of the second quarter of 2023 such borrowings amounted to NOK 151.4 billion.

Nordea Eiendoms kreditt holds a liquidity buffer of NOK 10.3 billion and the Liquidity Coverage Ratio (LCR) according to the EBA Delegated Act was 2259% (739%) at the end of the second quarter. Additionally, in order to ensure sufficient cash resources to meet its payment obligations, the company has an overdraft facility with the parent bank and a committed liquidity support agreement with the Nordea group. Net Stable Funding Ratio (NSFR) was 113.6% (106.7%) at the end of the second quarter 2023.

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 333 billion as of 30 June 2023 (NOK 315 billion). NOK 247 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 47.6% in relation to gross issued covered bonds.

Total assets amounted to NOK 345 billion at 30 June 2023 (NOK 321 billion).

Impaired loans

As of 30 June 2023 impaired loans amounted to NOK 591 million which corresponds to 0.18% of the total loan portfolio. Allowances of NOK 124 million have been made and net impaired loans were NOK 467 million at 30 June 2023 compared to NOK 382 million at 30 June 2022.

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 second quarter of 2023, the company was party to interest rate swaps with a nominal value of NOK 41 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.

Capital position and risk exposure amount

Regulatory development

As decided by Norges Bank, the counter cyclical capital buffer increased from 2.0 percent to 2.5 percent with effect from 31 March 2023.

The introduction of the revised CRD (CRD V) in June 2022 entailed a new minimum capital structure for Pillar 2 requirements. Until 2022, the imposed Pillar 2 requirement

was composed of CET1 capital, while from Q1 2023, the Pillar 2 requirements shall as a minimum be composed of 56.25 percent CET1 capital and minimum 75 percent Tier 1 capital.

On 26 June, the Norwegian Ministry of Finance notified to the ESRB the identification of the four O-SII entities in Norway, of which Nordea Eiendoms kreditt (NEK) is identified, similar to last year. NEK is being subject to the same O-SII buffer of 1%. Due to that, the combined level of O-SII and SRB exceeds 5%, the EFTA Standing Committee needs to adopt the identification of the O-SII's. The Ministry's formal decision will be made when the notifications and approval process are final.

Capital position

Nordea Eiendoms kreditt's Common Equity Tier 1 (CET1) capital ratio excluding profit was 25.8%, at the end of the second quarter, a decrease of 0.2 percentage points from the end of the previous quarter. The decrease was primarily due to increased Risk Exposure Amount (REA), i.e. an increase since end of last quarter of NOK 712 million to NOK 86 642 million. The Total Capital ratio excluding profit decreased 0.2 percentage points to 27.3%.

Own Funds excluding profit was NOK 22 542 million at the end of the second quarter. The Tier 1 capital and the Common Equity Tier 1 capital were NOK 21 318 million (no additional Tier 1 capital).

Other information

Impacts from Russia's invasion of Ukraine

In terms of direct credit risk Nordea Eiendoms kreditt is unaffected by the war as the company does not have any exposure towards Russia and Ukraine. The impact of the uncertainty after the onset of the war – reflected in higher inflation and higher interest rates – on the global and Nordic economies was further assessed in the second quarter. These developments have been reflected in the regular update of Nordea's macroeconomic scenarios, which are used to update the financial forecasts and IFRS 9 expected credit losses. Nordea Eiendoms kreditt has also reviewed its management judgement allowance to ensure that the overall provisioning levels are appropriate.

Information on the financial impacts of the war in Ukraine, have been provided in Note 1 "Accounting policies", in Note 5 "Loans and impairment" and in Note 12 "Risks and uncertainties".

Macroeconomy

Norwegian mainland GDP increased by 0.2%, quarter on quarter, in the first quarter of 2023. The labour market has remained strong: the seasonally adjusted unemployment rate was stable at 1.8% in June. Housing prices decreased by 0.8%, year on year, in June. Year-on-year consumer price inflation stood at 6.4% in June, driven by broad price increases for both imported and domestic goods and services. Norges Bank continued its rate-hiking cycle due to a highly pressured economy, high inflation and a weak

kroner. The central bank raised the key rate by 50bp in June, to 3.75%, and signalled that it would raise the rate by 25bp in both August and September. It also indicated that the key

rate would peak at 4.25% during the autumn. The Norwegian kroner remained weak due to lower energy prices and interest rate differentials.

Nordea Eiendoms kreditt AS

Oslo, 19 July 2023

Randi Marjamaa
Chair

Gro Elisabeth Lundevik
Vice Chair

Ola Littorin
Board member

Asbjørn Rødal
Board member

Tina Sandvik
Board member

Lene Steinum
Board member

Anne Sofie Knoph
Employee representative

Elen M. Stiksrud
Acting Chief Executive Officer

Income statement

NOKt	Note	Jan-Jun 2023	Jan-Jun 2022	Q2 2023	Q2 2022	Year 2022
Operating income						
Interest income calculated using the effective interest rate method	2	6 948 577	3 382 880	3 582 230	1 782 344	8 458 243
Other interest income	2	108 055	32 523	61 617	18 524	98 957
Interest expense	2	5 865 915	2 107 886	3 070 709	1 172 467	6 238 603
Net interest income		1 190 717	1 307 517	573 139	628 402	2 318 597
Fee and commission income		54 886	55 517	27 781	27 987	111 547
Fee and commission expense		19 428	13 551	6 959	6 033	34 569
Net fee and commission income		35 458	41 966	20 822	21 953	76 978
Net result from items at fair value	3	-44 901	-3 564	-1 727	-25 198	-11 077
Other income		400	1 758	216	787	3 359
Total operating income		1 181 673	1 347 677	592 449	625 945	2 387 857
Staff costs		17 593	14 604	8 507	7 196	31 171
Other operating expenses		724 689	765 392	350 324	369 064	1 387 333
Depr/amortisation and impairment charges		68	68	34	34	136
Total operating expenses		742 349	780 064	358 865	376 294	1 418 640
Profit before loan losses		439 324	567 614	233 585	249 651	969 216
Loan losses	4	67 442	21 845	29 071	11 902	106 375
Operating profit		371 882	545 768	204 514	237 749	862 841
Income tax expense		92 972	136 445	51 130	59 440	215 022
Net profit for the period		278 910	409 323	153 384	178 309	647 819
Attributable to:						
Shareholder of Nordea Eiendoms kreditt AS		278 910	409 323	153 384	178 309	647 819
Total		278 910	409 323	153 384	178 309	647 819

Statement of comprehensive income

NOKt	Jan-Jun 2023	Jan-Jun 2022	Q2 2023	Q2 2022	Year 2022
Net profit for the period	278 910	409 323	153 384	178 309	647 819
Items that may be reclassified subsequently to the income statement					
Cash flow hedges:					
Valuation gains/losses during the period	8 258	3 767	5 964	5 972	7 019
Tax on valuation gains/losses during the period	-2 064	-942	-1 491	-1 493	-1 755
Items that may not be reclassified subsequently to the income statement					
Defined benefit plans:					
Remeasurement of defined benefit plans	1 585	13 512	1 102	2 879	1 504
Tax on remeasurement of defined benefit plans	-396	-3 378	-275	-720	-376
Other comprehensive income, net of tax	7 382	12 959	5 300	6 638	6 393
Total comprehensive income	286 292	422 282	158 684	184 947	654 212
Attributable to:					
Shareholders of Nordea Eiendoms kreditt AS	286 292	422 282	158 684	184 947	654 212
Total	286 292	422 282	158 684	184 947	654 212

Balance sheet

NOKt	Note	30 Jun 2023	30 Jun 2022	31 Dec 2022
Assets				
Loans to credit institutions		32 028	440 332	731 472
Loans to the public	5, 9	333 252 739	315 220 961	323 251 987
Interest-bearing securities	8	10 586 173	5 420 099	5 435 886
Derivatives	8	77 263	409 589	423 732
Fair value changes of the hedged items in portfolio hedges of interest rate risk		-67 014	-61 672	-55 554
Property and Equipment owned and RoU		9	145	77
Retirement benefit assets		0	7 442	0
Other assets		1 031 468	18 673	-33
Accrued income and prepaid expenses		61 036	33 886	19 524
Total assets	6, 7	344 973 700	321 489 454	329 807 091
Liabilities				
Deposits by credit institutions		152 144 654	169 959 598	155 913 879
Debt securities in issue	10	168 332 227	127 391 717	149 352 274
Derivatives	8	1 228 888	637 641	761 036
Current tax liabilities		33 490	114 530	209 296
Other liabilities		17 847	57 212	20 845
Accrued expenses and prepaid income		190 404	212 792	226 015
Deferred tax liabilities		195 504	162 625	133 515
Provisions		11 176	10 015	8 211
Retirement benefit obligations		23 539	20 127	24 682
Subordinated loan capital		1 104 099	1 102 105	1 103 819
Total liabilities	6, 7	323 281 828	299 668 362	307 753 572
Equity				
Share capital		1 879 565	1 938 662	1 879 565
Share premium		9 874 082	9 814 985	9 874 082
Other reserves		-14 311	-15 126	-21 693
Retained earnings		9 673 626	9 673 247	10 321 566
Net profit for the period		278 910	409 323	
Total equity		21 691 872	21 821 092	22 053 520
Total liabilities and equity		344 973 700	321 489 454	329 807 091
Assets pledged as security for own liabilities		247 585 780	245 923 499	245 131 742
Commitments		34 414 749	31 356 766	31 618 092

Nordea Eiendoms kreditt AS Oslo, 19 July 2023

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Acting Chief Executive Officer

Statements of changes in equity

The equity in Nordea Eiendoms kreditt increased by NOKt 2.142.685, as a result of the merger with Nordea Direct Boligkreditt AS on 1 November 2022. The share capital was increased by NOKt 161,903, and replaced the share capital in Nordea Direct Boligkreditt AS of NOKt 221.000. The share premium increased by NOKt 1.058.117 including NOKt 59,097 reclassified from share capital. Retained earnings increased by NOKt 922.665 as a result of the merger.

NOKt	Share capital ¹	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
Balance at 1 January 2023	1 879 565	9 874 082	-9 681	-12 012	10 321 567	22 053 520
Net profit for the year					278 910	278 910
Items that may be reclassified subsequently to the income statement						
Cash flow hedges:						
Valuation gains/losses			8 258			8 258
Tax on valuation gains/losses			-2 064			-2 064
Items that may not be reclassified subsequently to the income statement						
Defined benefit plans:						
Remeasurement of defined benefit plans				1 585		1 585
Tax on remeasurement of defined benefit plans				-396		-396
Other comprehensive income, net of tax	0	0	6 193	1 189	0	7 382
Total comprehensive income	0	0	6 193	1 189	278 910	286 292
Contribution and distribution						
Share Based Payments					-121	-121
Dividend paid					-647 819	-647 819
Balance at 30 June 2023	1 879 565	9 874 082	-3 488	-10 823	9 952 537	21 691 872

NOKt	Share capital ¹	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
Balance at 1 January 2022	1 938 662	9 814 985	-14 945	-13 140	10 399 499	22 125 061
Net profit for the year					409 323	409 323
Items that may be reclassified subsequently to the income statement						
Cash flow hedges:						
Valuation gains/losses			3 767			3 767
Tax on valuation gains/losses			-942			-942
Items that may not be reclassified subsequently to the income statement						
Defined benefit plans:						
Remeasurement of defined benefit plans				13 512		13 512
Tax on remeasurement of defined benefit plans				-3 378		-3 378
Other comprehensive income, net of tax	0	0	2 825	10 134	0	12 959
Total comprehensive income	0	0	2 825	10 134	409 323	422 282
Contribution and distribution						
Share Based Payments					-251	-251
Dividend paid					-726 000	-726 000
Balance at 30 June 2022	1 938 662	9 814 985	-12 120	-3 006	10 082 571	21 821 092

¹ The company's share capital at 30 June 2023 was NOKt 1 879 565,-. The number of shares was 16 781 828, each with a quota value of NOK 112. All shares are owned by Nordea Bank AB (publ).

Cash Flow statement

NOKt	Jan-Jun 2023	Jan-Jun 2022	Year 2022
Operating activities			
Operating profit before tax	371 882	545 573	862 841
Adjustments for items not included in cash flow	65 713	29 385	97 727
Income taxes paid	-209 250	-250 612	-261 312
Cash flow from operating activities before changes in operating assets and	228 345	324 346	699 256
Changes in operating assets			
Change in loans to the public	-10 063 500	-9 557 180	-17 664 399
Change in interest-bearing securities	-5 150 287	-25 559	-41 346
Change in derivatives, net	814 321	840 135	949 386
Change in other assets	-1 061 485	7 228	46 176
Changes in operating liabilities			
Change in deposits by credit institutions	-3 769 225	-11 407 220	-25 462 473
Change in debt securities in issue	18 979 953	20 987 823	42 227 149
Change in other liabilities	-29 910	-737 204	-32 454
Cash flow from operating activities	-51 788	432 369	721 295
Financing activities			
Change of accrued interest on subordinated loan capital	280	279	1 993
Dividend paid	-647 819	-726 000	-726 000
Share Based Payment Programme (EIP)	-121	-225	274
Cash flow from financing activities	-647 660	-725 946	-723 733
Cash flow for the year	-699 444	-293 578	-2 438
Cash and cash equivalents at beginning of the period (Loans to credit institutions)	731 472	733 910	733 910
Cash and cash equivalents at end of the period (Loans to credit institutions)	32 028	440 332	731 472
Change	-699 444	-293 578	-2 438

Comments on the cash flow statement

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

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

Cash flow from operating activities include interest payments received and interest expenses paid in the following amounts:

NOKt	Jan-Jun 2023	Jan-Jun 2022	Year 2022
Interest payments received	6 940 508	3 227 824	8 157 307
Interest expenses paid	-5 715 511	-2 013 281	-5 341 358

Financing activities are activities that result in changes in equity and subordinated liabilities, such as new issues of shares, group contribution paid or received, dividend paid 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 financial statements as of the first half year of 2023 are prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as endorsed by the European Union (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 2022.

The accounting policies, method of computation and presentations are unchanged in comparison with the Annual Report 2022, except for the items presented in the section "Changed accounting policies and presentation" below.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea Eiendoms kreditt on 1 January 2023.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

On 1 January 2023 Nordea Eiendoms kreditt started applying the amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The amendments require companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to taxable and deductible temporary differences of equal amounts. Such a requirement may apply on the initial recognition of a lease liability and the corresponding right-of-use asset at the commencement of a lease. The requirement also applies in the context of decommissioning, restoration and similar liabilities where the corresponding amounts are recognised as part of the cost of the related asset.

The gross deferred tax assets and liabilities will be disclosed, but will be set off on the balance sheet if such requirements are met.

The amendments have not had any significant impact on the financial statements or capital adequacy of Nordea Eiendoms kreditt in the period of initial application.

Other amendments to IFRS

The following amended standards issued by the International Accounting Standards Board (IASB) were implemented by Nordea Eiendoms kreditt on 1 January 2023, but have not had any significant impact on its financial statements.

- o Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies
- o Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting estimates

Critical judgements and estimation uncertainty

Nordea Eiendoms kreditt applied critical judgements in the preparation of this interim report due to the uncertainty concerning the potential long-term impact of the war in Ukraine, continued high level of inflation, increased interest rates and reduced economic growth on Nordea Eiendoms kreditt's financial statements.

In terms of direct credit risk Nordea Eiendoms kreditt is unaffected by the invasion as the company does not have any exposure towards Russia and Ukraine.

More information on where critical judgements are generally applied and where estimation uncertainty exists, can be found in the Annual Report, Note 1 "Accounting policies", section 4. Areas particularly important are loans to the public and provisions for loan losses.

Critical judgement was applied in the assessment of when loans had experienced a significant increase in credit risk (staging) and in the application of macro scenarios and scenario weights when estimating the increase in expected credit losses.

Critical judgements were also applied when determining the fair value of financial instruments that lack quoted prices or recently observed market prices. In all of these instances, decisions are based upon professional judgement in accordance with Nordea Eiendoms kreditt's accounting and valuation policies. More information on financial instruments held at fair value on Nordea Eiendoms kreditt's balance sheet can be found in Note 8.

Exchange rates

	Jan-Jun 2023	Jan-Jun 2022	Full year 2022
GBP 1 = NOK			
Income statement (average)	12,9215	11,8446	11,8469
Balance sheet (at end of period)	13,5933	12,0604	11,8848
EUR 1 = NOK			
Income statement (average)	11,3199	9,9746	10,1021
Balance sheet (at end of period)	11,6855	10,3285	10,5180

Note 2 Net interest income

	Jan-Jun 2023	Jan-Jun 2022	Q2 2023	Q2 2022	Full year 2022
NOKt					
Interest income calculated using the effective interest rate method	6 948 577	3 382 880	3 582 230	1 782 344	8 458 243
Other interest income	108 055	32 523	61 617	18 524	98 957
Interest expense	5 865 915	2 107 886	3 070 709	1 172 467	6 238 603
Net interest income	1 190 717	1 307 517	573 139	628 402	2 318 597
Interest income calculated using the effective interest rate method					
Loans to credit institutions	23 015	8 861	5 008	5 338	44 839
Loans to customers	6 886 373	3 339 833	3 556 755	1 757 733	8 338 649
Yield fees	27 774	35 277	14 669	19 181	69 467
Net interest paid or received on derivatives in accounting hedges of assets	11 415	-1 091	5 798	92	5 288
Interest income	6 948 577	3 382 880	3 582 230	1 782 344	8 458 243
Other interest income					
Interest-bearing securities measured at fair value	108 055	32 523	61 617	18 524	98 957
Other interest income¹	108 055	32 523	61 617	18 524	98 957
Interest expense					
Deposits by credit institutions	2 759 264	1 178 880	1 420 815	633 943	3 425 269
Debt securities in issue	2 942 104	890 811	1 564 844	532 400	2 611 354
Subordinated loan capital	27 720	14 779	14 069	7 878	36 518
Other interest expenses	71 681	62 914	35 046	31 457	156 613
Net interest paid or received on derivatives in hedges of liabilities	65 147	-39 497	35 934	-33 212	8 849
Interest expense	5 865 915	2 107 886	3 070 709	1 172 467	6 238 603

Interest from categories of financial instruments

	Jan-Jun 2023	Jan-Jun 2022	Q2 2023	Q2 2022	Full year 2022
NOKt					
Financial assets at amortised cost	6 937 162	3 385 086	3 576 432	1 783 014	8 454 945
Financial assets at fair value through profit and loss (including hedging instruments) ¹	119 470	30 317	67 415	17 855	102 256
Financial liabilities at amortised cost	-5 800 768	-2 147 383	-3 034 775	-1 205 678	-6 229 755
Financial liabilities at fair value through profit or loss (related to hedging instruments) ¹	-65 147	39 497	-35 934	33 212	-8 849
Net interest income	1 190 717	1 307 517	573 139	628 402	2 318 597

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 1A Accounting policies in the Annual report.

Note 3 Net result from items at fair value

Net gains / losses for categories of financial instruments

	Jan-Jun 2023	Jan-Jun 2022	Q2 2023	Q2 2022	Full Year 2022
NOKt					
Financial assets and liabilities mandatorily at fair value through profit or loss ¹	-674 928	-791 521	-744 855	-360 584	-866 788
Financial assets at amortised cost ²	-18 467	-51 051	-20 468	-17 561	-65 688
Financial liabilities at amortised cost ³	648 328	839 552	763 836	353 348	920 915
Foreign exchange gains/losses excluding currency hedges	165	-544	-241	-401	483
Total	-44 901	-3 564	-1 727	-25 198	-11 077

¹ This row comprises of interest bearing securities and derivatives, including derivatives held for economic hedging, which do not meet the requirements for hedge accounting according to IAS 39.

² This row includes net gain/loss arising from derecognition of financial assets measured at amortised cost of NOK -7m (NOK -6m) in the first half year of 2023. The reason for derecognition is that the assets were prepaid by the customer. This line item also includes fair value changes of hedged amortised cost assets in hedges of interest rate risk of NOK -11m (NOK -45m) in the first half year of 2023.

³ This row mainly includes fair value changes of hedged amortised cost liabilities in hedges of interest rate risk of NOK 657m (NOK 846m) in the first half year of 2023.

Note 4 Loan losses

Net loan losses

	Jan-Jun 2023	Jan-Jun 2022	Q2 2023	Q2 2022	Year 2022
NOKt					
Net loan losses, Stage 1	11 679	3 044	7 694	382	16 112
Net loan losses, Stage 2	45 462	23 983	15 681	3 820	62 172
Total loan losses, non-defaulted	57 141	27 027	23 374	4 202	78 284

Stage 3, defaulted

Net loan losses, individually assessed, collectively calculated	10 852	-8 570	6 268	7 047	19 951
Realised loan losses	1 739	3 564	1 708	758	15 704
Recoveries on previous realised loan losses	-11	0	0	0	-7 122
Reversals of provisions	-2 280	-177	-2 280	-105	-442
Net loan losses, defaulted	10 301	-5 182	5 697	7 700	28 091

Net loan losses	67 442	21 845	29 071	11 902	106 375
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Key ratios¹

	Jan-Jun 2023	Jan-Jun 2022	Q2 2023	Q2 2022	Year 2022
Loan loss ratio, basis points	4,08	1,40	3,52	1,53	3,37
- of which stage 1	0,71	0,20	0,93	0,05	0,51
- of which stage 2	2,75	1,54	1,90	0,49	1,97
- of which stage 3	0,62	-0,33	0,69	0,99	0,89

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

Note 5 Loans and impairment

Loans and impairment NOKt	30 Jun 2023	30 Jun 2022	31 Dec 2022
Loans measured at amortised cost, not impaired (Stage 1 and 2)	333 035 212	314 980 800	322 953 240
Impaired loans (Stage 3)	590 803	469 377	609 274
- of which servicing	136 299	104 472	206 772
- of which non-servicing	454 504	344 264	402 502
Loans before allowances	333 626 014	315 450 177	323 562 514
Allowances for individually assessed impaired loans (Stage 3)	-123 786	-86 962	-115 213
- of which servicing	-34 787	-12 211	-36 088
- of which non-servicing	-88 999	-74 248	-79 124
Allowances for collectively assessed impaired loans (Stage 1 and 2)	-249 490	-142 253	-195 315
Allowances	-373 275	-229 215	-310 527
Loans, carrying amount	333 252 739	315 220 961	323 251 987

Movements of allowance accounts for loans measured at amortised cost

NOKt	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	-50 045	-145 269	-115 213	-310 527
Changes due to origination and acquisition	-37 831	-953	-5 548	-44 331
Changes due to transfers from Stage 1 to Stage 2	3 011	-68 136	0	-65 126
Changes due to transfers from Stage 1 to Stage 3	38	0	-12 842	-12 804
Changes due to transfers from Stage 2 to Stage 1	-1 841	54 446	0	52 605
Changes due to transfers from Stage 2 to Stage 3	0	2 921	-16 965	-14 044
Changes due to transfers from Stage 3 to Stage 1	-68	-17	5 754	5 669
Changes due to transfers from Stage 3 to Stage 2	0	-1 482	15 322	13 840
Changes due to changes in credit risk without stage transfer	17 458	-57 101	-27 030	-66 673
Changes due to repayments and disposals	7 879	27 502	32 736	68 117
Balance at 30 Jun 2023	-61 399	-188 090	-123 786	-373 275

Movements of allowance accounts for loans measured at amortised cost

NOKt	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	-35 501	-87 014	-95 703	-218 218
Changes due to origination and acquisition	-33 484	-31 474	-10 857	-75 816
Changes due to transfers from Stage 1 to Stage 2	4 424	-101 034	0	-96 611
Changes due to transfers from Stage 1 to Stage 3	325	0	-8 923	-8 598
Changes due to transfers from Stage 2 to Stage 1	-2 798	69 659	0	66 861
Changes due to transfers from Stage 2 to Stage 3	0	3 006	-15 390	-12 384
Changes due to transfers from Stage 3 to Stage 1	-100	0	4 848	4 748
Changes due to transfers from Stage 3 to Stage 2	2	-1 687	17 824	16 139
Changes due to changes in credit risk without stage transfer	21 509	16 780	-20 278	18 011
Changes due to repayments and disposals	9 244	25 891	41 518	76 652
Balance at 30 Jun 2022	-36 379	-105 875	-86 962	-229 215

Key ratios

	30 Jun 2023	30 Jun 2022	31 Dec 2022
Impairment rate, (stage 3) gross, basis points ¹	17,7	14,9	18,8
Impairment rate (stage 3), net, basis points ²	14,0	12,1	15,3
Total allowance rate (stage 1, 2 and 3), basis points ³	11,2	7,3	9,6
Allowances in relation to credit impaired loans (stage 3), % ⁴	21,0	18,5	18,9
Allowances in relation to loans in stage 1 and 2, basis points ⁵	7,5	4,5	6,0

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 5 Loans and impairment cont.

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 baseline scenario, a favourable scenario and an adverse scenario. For the second quarter of 2023 the scenarios were weighted into the final expected credit losses (ECL) as follows: baseline 50%, adverse 40% and favourable 10% (baseline 50%, adverse 40% and favourable 10% at the end of the first quarter of 2023). The weight of the adverse scenario was kept at an elevated level, reflecting continued uncertainty regarding the macroeconomic outlook.

The macroeconomic scenarios are provided by Group Risk 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. For periods beyond, a long-term average is used in the ECL calculations.

The macroeconomic scenarios reflect Nordea's view of how the Nordic economies might develop in the light of the war in Ukraine and the associated sanctions and countersanctions on trade with Russia. They take into consideration the possibility of continued high inflation and the potential impact of significantly higher interest rates on economic activity. When developing the scenarios and determining the relative weighting between them, Nordea took into account projections made by Nordic central banks, Nordea Research and the European Central Bank.

The baseline scenario for the Nordic economies foresees modest growth and slightly higher unemployment in the coming years as the pass-through of higher rates and elevated inflation continues to weigh on economic activity. While growth in 2023 weakens in Denmark and Norway, it

turns negative in Finland and Sweden. Inflation is expected to remain elevated. Following the strong housing market activity and price appreciation during the Covid-19 pandemic, the downward adjustment in housing prices is expected to continue this year in the Nordics, with the mildest correction in Norway and the strongest in Sweden. The risks around the baseline forecast are tilted to the downside.

Nordea's two alternative macroeconomic scenarios cover a range of plausible risk factors which may cause growth to deviate from the baseline scenario. Financial instability may lead to a deep and long recession due to falling private consumption and investment. In addition, housing prices may see an even larger decline due to high interest rates, a squeeze in household purchasing power and weak confidence. A stabilisation of energy prices at a low level may on the other hand prevent growth from turning negative in 2023 and support a stronger recovery going forward.

At the end of the second quarter of 2023 adjustments to model-based allowances/provisions (management judgements) amounted to NOK 107m (NOK 106m at the end of the first quarter 2023). The management judgements cover expected credit losses not yet adequately captured by the IFRS 9 modelled outcome. The cyclical management judgement allowance amounted to NOK 101m at the end of the second quarter of 2023 (NOK 101 at the end of the first quarter of 2023) and the reserve covering issues identified in the IFRS 9 model to be later covered in model updates (structural reserve) amounted to NOK 6m (NOK 7m at the end of the first quarter of 2023).

The cyclical management judgement allowance was reassessed based on updated credit portfolio assessments and stress testing, but kept unchanged this quarter. Overall, the existing levels of allowances were concluded to be sufficient for the current risk outlook.

Note 5 Loans and impairment cont.

Scenarios	2023	2024	2025	Probability weight
Favourable scenario				10%
GDP growth, %	2.2	1.7	1.0	
Unemployment, %	3.2	3.1	3.2	
Change in household consumption, %	-0.3	2.9	2.7	
Change in house prices, %	-2.2	1.2	3.9	
Baseline scenario				50%
GDP growth, %	1.4	0.6	0.9	
Unemployment, %	3.3	3.6	3.7	
Change in household consumption, %	-1.1	1.7	2.1	
Change in house prices, %	-2.9	0	4.1	
Adverse scenario				40%
GDP growth, %	0	-0.2	0.4	
Unemployment, %	3.8	4.4	4.5	
Change in household consumption, %	-1.9	1.1	1.5	
Change in house prices, %	-6.0	-4.6	1.4	

Note 6 Classification of assets and liabilities

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.

30 June 2023, NOKt	Fair value through profit or loss (FVPL)				Total
	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial assets	
Assets					
Loans to credit institutions	32 028				32 028
Loans to the public	333 252 739				333 252 739
Interest-bearing securities		10 586 173			10 586 173
Derivatives		-17 925	95 188		77 263
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-67 014				-67 014
Property and Equipment owned and RoU				9	9
Other assets				1 031 467	1 031 467
Accrued income and prepaid expenses	59 751			1 285	61 036
Total assets	333 277 504	10 568 248	95 188	1 032 761	344 973 700

30 June 2023, NOKt	Fair value through profit or loss (FVPL)				Total
	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial liabilities	
Liabilities					
Deposits by credit institutions	152 144 654				152 144 654
Debt securities in issue	168 332 227				168 332 227
Derivatives		110 089	1 118 799		1 228 888
Current tax liabilities				33 490	33 490
Other liabilities	2 073			15 774	17 847
Accrued expenses and prepaid income	9 953			180 451	190 404
Deferred tax liabilities				195 504	195 504
Provisions				11 176	11 176
Retirement benefit obligations				23 539	23 539
Subordinated loan capital	1 104 099				1 104 099
Total liabilities	321 593 006	110 089	1 118 799	459 933	323 281 828

Note 7 Fair value of financial assets and liabilities

NOKt	30 Jun 2023		31 Dec 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	333 217 753	335 363 454	323 927 906	328 228 331
Interest-bearing securities	10 586 173	10 586 173	5 435 886	5 435 886
Derivatives	77 263	77 263	423 732	423 732
Accrued income and prepaid expenses	59 751	59 751	18 148	18 148
Total financial assets	343 940 939	346 086 641	329 805 671	334 106 097
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Deposits and debt instruments	321 580 980	321 237 941	306 369 973	306 385 298
Derivatives	1 228 888	1 228 888	761 036	761 036
Other financial liabilities	2 073	2 073	3 597	3 597
Accrued expenses and prepaid income	9 953	9 953	3 883	3 883
Total financial liabilities	322 821 895	322 478 855	307 138 489	307 153 814

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

Note 8 Financial assets and liabilities held at fair value on the balance sheet

Categorisation into fair value hierarchy

	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
30 June 2023, NOKt				
Financial assets ¹				
Interest-bearing securities		10 586 173		10 586 173
Derivatives		115 205	-37 942	77 263
Total assets	0	10 701 378	-37 942	10 663 436
Financial liabilities ¹				
Derivatives		1 228 888	0	1 228 888
Total liabilities	0	1 228 888	0	1 228 888

	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 2022, NOKt				
Financial assets ¹				
Interest-bearing securities		5 435 886		5 435 886
Derivatives		423 732		423 732
Total assets	0	5 859 618	0	5 859 618
Financial liabilities ¹				
Derivatives		702 726	58 310	761 036
Total liabilities	0	702 726	58 310	761 036

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

Transfers between Level 1 and Level 2

There has not been any transfers between Level 1 and Level 2 in the first half year of 2023. When transfers between levels occur, these are considered to have occurred at the end of the reporting period.

Note 8 Financial assets and liabilities measured at fair value on the balance sheet cont.

Movements in Level 3

30 June 2023, NOKt	1 January 2023	Transfers out of Level 3	Unrealised fair value gains/losses recorded in income statement	30 June 2023
Derivatives (net)	-58 310	-45 897	-25 529	-37 942

During the period, one derivative contract has been transferred from level 3 to level 2 of the fair value hierarchy due to that the maturity is now within 20 years. One derivative contract is still valued according to level 3 since in the period, observable market data has not been available for maturities longer than 20 years. Fair value gains and losses in the income statement during the period 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

30 June 2023, NOKt	Fair value	Valuation techniques	Unobservable input
Derivatives, net			
Interest rate derivatives	-37 942	Option model	Correlation, volatilities
Total	-37 942		

The table 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 and significant unobservable inputs used in the valuation techniques.

Valuation processes for fair value measurements in Level 3

For information about the valuation processes for fair value measurement in Level 3, see Note 1 "Determination of fair value of financial instruments" in the 2022 Annual Report.

Note 9 Cover Pool

NOKt	30 Jun 2023		30 Jun 2022		31 Dec 2022	
	Nominal value	Net present value	Nominal value	Net present value	Nominal value	Net present value
Loans to the public	333 008 700	332 151 636	315 166 069	314 888 653	323 064 144	322 450 476
- w hereof pool of eligible loans	247 387 711	246 751 009	245 923 499	245 711 926	244 935 636	244 470 375
Supplementary assets and derivatives:	230 550	-741 623	748 413	981 225	409 225	-84 792
- w hereof CIRS	230 550	40 364	442 961	309 583	409 225	180 556
- w hereof IRS	0	-781 987	0	-363 606	0	-265 348
Total cover pool	247 618 261	246 009 386	246 671 912	246 693 152	245 344 861	244 385 583
Debt securities in issue (net outstanding amount)	167 752 550	166 360 750	126 650 961	126 332 134	148 332 225	148 427 632
Over-collateralization calculated on net outstanding covered bonds	47,6 %	47,9 %	94,8 %	95,3 %	65,4 %	64,6 %
Debt securities in issue (issued amount)	167 752 550	166 360 750	126 650 961	126 332 134	148 332 225	148 427 632
Over-collateralization calculated on issued covered bonds (gross outstanding covered bonds) ¹	47,6 %	47,9 %	94,8 %	95,3 %	65,4 %	64,6 %

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 nominal values. Net present values are disclosed for information and may differ from fair values disclosed in other notes to this report due to different calculation methods.

Note 10 Debt securities in issue and loans from financial institutions

NOKt	30 Jun 2023			30 Jun 2022		
	Nominal value	Other 1	Carrying amount	Nominal value	Other 1	Carrying amount
Covered bonds issued in Norwegian kroner	166 584 000			122 000 000		
Holdings of own covered bonds in Norwegian kroner	0			0		
Outstanding covered bonds issued in Norwegian kroner	166 584 000			122 000 000		
Covered bonds issued in GBP (in NOK)	0			3 618 111		
Covered bonds issued in EUR (in NOK)	1 168 550			1 032 850		
Total outstanding covered bonds	167 752 550	579 677	168 332 227	126 650 961	1 315 361	127 966 322
Loans and deposits from financial institutions for a fixed term	151 397 244	747 410	152 144 654	169 721 750	237 848	169 959 598
Subordinated loan	1 100 000	4 099	1 104 099	1 100 000	2 105	1 102 105
Total	320 249 794	1 331 186	321 580 980	297 472 711	1 555 314	299 028 025

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

Maturity information

Maximum 1 year	80 081 244	123 514 560
More than 1 year	240 168 550	173 958 151
Total	320 249 794	297 472 711

Norwegian covered bonds (NOKt) at 30 June 2023

ISIN code	Issue date	Final payment date	Interest	Interest rate in %	Currency	Outstanding nominal amount
NO0012838277	14-02-2023	14-02-2035	Fixed	3.39	NOK	1 420 000
NO0012829763	02-02-2023	02-02-2028	Float	3M Nibor + 0.48%	NOK	16 300 000
NO0012732017	28-10-2022	28-10-2037	Fixed	4.0	NOK	750 000
NO0012720988	12-10-2022	12-10-2029	Fixed	4.0	NOK	4 200 000
NO0012513532	03-05-2022	17-03-2027	Float	3M Nibor + 0.33%	NOK	23 800 000
NO0012441643	15-02-2022	15-02-2030	Fixed	2.45	NOK	3 500 000
NO0011151771	17-11-2021	17-09-2026	Float	3M Nibor + 0.75%	NOK	7 000 000
NO0010981301	21-04-2021	18-03-2026	Float	3M Nibor + 1.50%	NOK	26 000 000
NO0010893282	16-09-2020	16-09-2025	Float	3M Nibor + 1.50%	NOK	20 000 000
NO0010873334	22-01-2020	19-03-2025	Float	3M Nibor + 0.26%	NOK	20 000 000
NO0010852650	22-05-2019	22-05-2026	Fixed	2.17	NOK	6 000 000
NO0010843626	26-02-2019	19-06-2024	Float	3M Nibor + 0.34%	NOK	35 864 000
NO0010821986	04-05-2018	04-05-2048	Fixed	2.6	NOK	300 000
NO0010812084	11-12-2017	17-06-2043	Fixed	3M Nibor + 0.75%	NOK	300 000
NO0010766827	21-06-2016	18-06-2031	Fixed	2.2	NOK	500 000
NO0010678766	08-05-2013	08-05-2025	Fixed	3.6	NOK	100 000
NO0010593064	22-12-2010	18-06-2025	Fixed	4.8	NOK	550 000
Total						166 584 000

Covered bonds issued in foreign currency at 30 June 2023

ISIN code	Issue date	Final payment date	Interest	Interest rate in %	Currency	Outstanding nominal amount
XS1451306036	19-07-2016	15-07-2031	Fixed	0.738	EUR	100 000
Total (in NOKt equivalent)						1 168 550

Note 11 Capital adequacy

These disclosures have been prepared in accordance with Part 8 of the CRR and applicable national regulations.

NOKm	30 Jun 2023	31 Dec ¹ 2022	30 Jun ² 2022
Equity	21 413	22 054	21 412
Proposed/actual dividend		-648	
Common Equity Tier 1 capital before regulatory adjustments	21 413	21 406	21 412
Deferred tax assets			
Intangible assets			
IRB provisions shortfall (-)	-92	-79	-43
Pension assets in excess of related liabilities			
Other items, net	-3	-9	6
Total regulatory adjustments to Common Equity Tier 1 capital	-95	-88	-37
Common Equity Tier 1 capital (net after deduction)	21 318	21 317	21 375
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)	21 318	21 317	21 375
Tier 2 capital before regulatory adjustments	1 100	1 100	1 100
IRB provisions excess (+)	124	113	0
Deductions for investments in insurance companies			
Other items, net			
Total regulatory adjustments to Tier 2 capital	124	113	0
Tier 2 capital	1 224	1 213	1 100
Own funds (net after deduction)¹	22 542	22 530	22 475

¹ Including profit of the period

² Q2 2022 adjusted to include Nordea Direct

Own Funds, including profit

NOKm	30 Jun 2023	31 Dec 2022	30 Jun 2022
Common Equity Tier 1 capital, including profit	21 306	21 317	21 366
Total Own Funds, including profit	22 530	22 530	22 466
Assumed 100% dividend			

Note 11 Capital adequacy cont.

Minimum capital requirement and REA, Risk Exposure Amount

NOKm	30 Jun	30 Jun	31 Dec	31 Dec	30 Jun	30 Jun
	2023	2023	2022	2022	2022	2022
	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	6 308	78 858	6 111	76 377	5 949	74 357
- of which counterparty credit risk	4	51	10	124	10	125
IRB	5 709	71 368	5 360	66 995	5 272	65 900
- institutions	44	550	17	214	17	215
- retail	5 663	70 790	5 343	66 780	5 253	65 661
- secured by immovable property collateral	4 865	60 813	4 691	58 634	4 650	58 123
- other retail	798	9 977	652	8 146	603	7 538
- other	2	28	0	1	2	24
Standardised	599	7 490	751	9 382	677	8 457
- institutions	5	64	21	260	17	215
- retail			1	16	1	7
- secured by mortgages on immovable properties			726	9 069	656	8 194
- in default	594	7 426	3	37	3	34
- covered bonds					0	6
- other items					0	1
Credit Valuation Adjustment Risk					0	1
Operational risk	303	3 784	302	3 784	284	3 547
Standardised	303	3 784	302	3 784	284	3 547
OpR Basic indicator approach (BIA)					22	276
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR			0		22	276
Total	6 611	82 642	6 413	80 161	6 255	78 181

Capital ratios

Percentage	30 Jun ¹	31 Dec ²	30 Jun ¹
	2023	2022	2022
Common Equity Tier 1 capital ratio	25,8	26,6	27,3
Tier 1 capital ratio	25,8	26,6	27,3
Total capital ratio	27,3	28,1	28,7

¹ Excluding profit of the period

² Including profit of the period

Leverage ratio	30 Jun ¹	31 Dec ²	30 Jun ¹
	2023	2022	2023
Tier 1 capital, transitional definition, NOKm	21 317	21 317	21 375
Leverage ratio exposure, NOKm	361 754	344 994	336 600
Leverage ratio, percentage	5,9	6,2	6,4

¹ Excluding profit of the period

² Including profit of the period

Note 12 Risks and uncertainties

Within the framework of its normal business operations, Nordea Eiendoms kreditt faces various 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.

Being an issuer of covered bonds, the company is also exposed to changes in the residential property market and the market for holiday homes. A decline in housing prices will reduce the value of the company's cover pool for the purpose of calculating the regulatory asset coverage requirement. Quarterly stress tests are carried out to estimate the effects of declining prices for residential properties and holiday homes. At the end of the second quarter 2023 the over-collateralization (OC) was 47.6%, meaning that the company can withstand a significant price drop without breaching the regulatory OC requirement. A drop in house prices will also increase the credit risk and may lead to increased loan losses in case of default, due to decreased value of the collateral.

There are significant risks related to the macroeconomic environment due to geopolitical developments and broader inflationary pressures. Reduced consumer spending and cost increases may particularly impact small and medium sized enterprises in certain industries. Depending on future developments, there may be increased credit risk in Nordea Eiendoms kreditt's mortgage loan portfolio. Potential future credit risks are addressed in Note 5 "Loans and impairment" and in the section "Net loan losses" in the Board of Directors' Report.

Nordea Eiendoms kreditt is also exposed to risks such as market risk, liquidity risk and operational risk. These risks are managed according to processes and limits established in Nordea Eiendoms kreditt's Risk Appetite Framework. Further information on the composition of the company's risk exposure and risk management can be found in the Annual Report.

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

Note 13 Transactions with related parties

Nordea Eiendoms kreditt 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 Eiendoms kreditt's normal business activities, are hedged using interest rate and currency swaps. Main counterparties to derivative contracts are Nordea Group internal. The volume of interest rate swaps was NOK 41 billion (NOK 46 billion) and currency swaps NOK 1 billion (NOK 4 billion) at the end of the second quarter 2023. Nordea Bank Abp, filial i Norge provides unsecured funding to Nordea Eiendoms kreditt, and at the end of the second quarter 2023 such borrowings amounted to NOK 152 billion.

Subordinated loans provided by Nordea Bank Abp was NOK 1.1 billion at the end of the second quarter. In addition, Nordea Bank Abp had a holding of covered bonds issued by Nordea

Eiendoms kreditt of NOK 21.2 billion at the end of the second quarter of 2023.

Loans to the public are managed by Nordea Bank Abp, filial i Norge. For loans issued directly from Nordea Eiendoms kreditt, also credit assessment and other processes in relation to the loan origination, are performed by Nordea Bank Abp, filial i Norge. For this service Nordea Eiendoms kreditt has paid an amount of NOK 679 million in the first half year 2023 (NOK 711 million). Nordea Eiendoms kreditt also buys services related to funding and risk control, accounting and reporting, people services and IT services from the Nordea Group according to agreements entered into. For these services Nordea Eiendoms kreditt has paid NOK 15 million in the first half year 2023 (NOK 17 million).

All group internal transactions are settled according to market-based principles on conformity with OECD requirements on transfer pricing.

Statement by the Chief Executive Officer and the Board of Directors

Pursuant to Section 5-6 of the Securities Trading Act

The Chief Executive Officer and the Board of Directors confirms that to the best of their knowledge the interim report for the six months to 30 June 2023 has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU, and gives a true and fair view of the company's assets and liabilities, its financial position and results.

The Chief Executive Officer and the Board of Directors also consider that to the best of their knowledge the interim report for the first six month to 30 June 2023 gives a true and fair:

- overview of important events that have occurred during the accounting period and their impact on the half yearly financial statements.
- description of the most relevant risk factors the company faces over the next accounting period.
- description of the most significant transactions with related parties.

Oslo, 19 July 2023

The Board of Nordea Eiendoms kreditt AS

Randi Marjamaa
Chair

Gro Elisabeth Lundevik
Vice Chair

Ola Littorin
Board member

Asbjørn Rødal
Board member

Tina Sandvik
Board member

Lene Steinum
Board member

Anne Sofie Knoph
Employee representative

Elen M. Stiksrud
Acting Chief Executive Officer

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