



Interim Report 3rd 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-Sep 2021	Jan-Sep 2020	Year 2020
Net interest income	2 196	1 680	2 399
Net result from items at fair value	-110	-31	-34
Other operating income	56	57	74
Total operating income	2 142	1 706	2 439
Staff costs	18	17	23
Other expenses	1 308	637	894
Total operating expenses	1 326	654	917
Loan losses (negative figures are reversals)	48	107	98
Operating profit	768	944	1 424
Income tax expense	192	236	356
Net profit for the period	576	708	1 068

Summary of the balance sheet (NOKm)

	30 Sep 2021	30 Sep 2020	31 Dec 2020
Loans to the public, gross	283 926	259 586	266 240
Allowance for loan losses	-212	-205	-190
Other assets	6 369	15 209	7 143
Debt securities in issue	93 648	143 270	142 744
Other liabilities	176 628	111 923	110 690
Equity	19 807	19 397	19 759
Total assets	290 083	274 590	273 192
Average total assets	280 952	262 596	264 935

Ratios and key figures

	30 Sep 2021	30 Sep 2020	31 Dec 2020
Basic/diluted Earnings per share (EPS), annualised basis, NOK	50,1	61,6	69,6
Equity per share ¹ , NOK	1 291,5	1 264,8	1 288,4
Shares outstanding ¹ , million	15,3	15,3	15,3
Post-tax return on average equity	3,9 %	4,9 %	5,5 %
Cost/income ratio	61,9 %	38,4 %	37,6 %
Loan loss ratio, annualised, basis points	2,3	5,6	3,8
Common Equity Tier 1 capital ratio	28,6 %	29,4 %	30,6 %
Tier 1 capital ratio ^{1,2}	28,6 %	29,4 %	30,6 %
Total capital ratio ^{1,2}	30,4 %	33,1 %	34,4 %
Own funds, NOKm ^{1,2}	20 320	20 915	21 489
Risk Exposure Amount ¹ , NOKm	66 926	63 164	62 546
Number of employees (Full-time equivalents) ¹	18,5	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 284 billion at 30 September 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.

Income Statement

Profit before loan losses

Profit before loan losses for the first nine months of 2021 was NOK 816 million (NOK 1,052 million). The profit reported is equivalent to a post-tax return on average equity of 3.9% (4.9%) on an annualised basis.

Net interest income in the first nine months showed an increase of 31% compared to the same period last year and amounted to NOK 2,196 million (NOK 1,680 million). Both lending margins and loan volume have been higher in the first nine months of 2021 compared to the same period last year.

Total operating expenses in the first nine months amounted to NOK 1,326 million (NOK 654 million), whereof NOK 18 million (NOK 17 million) is staff related. The number of employees was 19 (18) at the end of September 2021. 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 and customer contact, as well as funding, risk control, accounting, reporting and IT related services.

Nordea Group and Nordea Eiendoms kreditt have updated the transfer pricing method applied to internal sales and distribution services bought from Nordea Bank, Norwegian Branch in line with the development of OECD guidelines on transfer pricing and local tax practice. The updated methodology has entailed significant pricing adjustments, resulting in increased expenses. The cost/income ratio for the first nine months of 2021 was 61.9% compared to 38.4% for the same period last year.

Net loan losses

Loan losses and provisions recognised in the accounts for the first nine months of 2021 was NOK 48.0 million, split between realized loan losses and changes in loan loss allowances. Loan loss allowances have increased from NOK 190.3 million at the beginning of the year to NOK 212.0 million at 30 September 2021, whereof management judgement allowances constitutes NOK 27 million.

Realised loan losses were NOK 28.0 million of which NOK 13.7 million were 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 during Q3-2021). No deterioration in credit quality or new defaults have been observed during the first nine months of 2021. Share of volume with instalment-free period has decreased during the third quarter and is now 8%, which is below the level prior to Covid-19. See note 4 and note 5 for further information about loan losses and impairment.

Nordea Eiendoms kreditt will continue to 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 28.6%, at the end of the third quarter, a decrease of 0.3 percentage points from the end of the previous quarter. The decrease was primarily due to increased Risk Exposure Amount (REA) for the loan portfolio. The Total Capital ratio excluding profit decreased by 2.2 percentage points to 30.4%. The larger decrease in Total Capital ratio than in CET1 ratio is due to buyback of a subordinated loan of NOK 1.2 billion in Q3-2021.

Risk Exposure Amount (REA) was NOK 66,926 million, an increase of NOK 980 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 20,320 million at the end of the third quarter. The Tier 1 capital and the Common Equity Tier 1 capital were NOK 19,139 million (no additional Tier 1 capital).

Regulatory development for capital requirement

In September, Norges Bank decided to maintain the level of the countercyclical capital buffer of 1.5% being effective from 30 June 2022, as decided in June 2021. Norges Bank's assumes a further increase to 2.0%, which may be decided in December, and expected to be effective from 31 December 2022, if adopted. The buffer rate is expected to return to 2.5% somewhat further out according to Norges Bank. The Ministry of Finance decided also in September that Norges Bank is assigned the task of setting the countercyclical capital buffer rate on a regular basis as well as to advise the Ministry of Finance on the systemic buffer rate.

Regarding the Banking Package, the CRR2 was incorporated in the EEA agreement on 29 October 2021. CRDV and BRRD2 are still pending incorporation in the EEA agreement. However, both CRR2, CRDV and BRRD2 are expected to enter into force in Q1 or Q2 2022. The effect of the implementation is increased harmonization between Norway and the EU countries.

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 quarters of 2021 Nordea Eiendoms kreditt issued covered bonds amounting to NOK 7.8 billion in the Norwegian market under its NOK 150bn domestic covered bond programme. In the same period buybacks and matured bonds amounted to NOK 56.9 billion, whereof NOK 36 billion issued in April 2020 and retained in the parent bank. As of 30 September 2021, Nordea Eiendoms kreditt had outstanding covered bonds totalling NOK 88.1 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 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 third quarter 2021 such borrowings amounted to NOK 173.9 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 612% at the end of the third quarter. NSFR was 116.7% at the end of the third 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 284 billion as of 30 September 2021 (NOK 264 billion), bought from Nordea Bank Abp, filial i Norge or issued directly from Nordea Eiendoms kreditt's own balance sheet. NOK 213 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 128.8% in relation to gross issued covered bonds.

Total assets amounted to NOK 290 billion at 30 September 2021 (NOK 275 billion).

Impaired loans

As of 30 September 2021 impaired loans amounted to NOK 505.7 million which corresponds to 0.18% of the total loan portfolio.

Allowances of NOK 81.5 million have been made, and net impaired loans were NOK 424.2 million at 30 September 2021 compared to NOK 854 million at 30 September 2020.

Interest rate and currency hedging

The company uses interest rate and currency swaps to hedge interest rate and currency risk. At the close of the third quarter of 2021, the company was party to interest rate swaps with a nominal value of NOK 57.9 billion. In accordance with IFRS, fair value changes of interest rate swaps and the corresponding hedged items (fixed-rate lending and fixed-rate issued bonds) due to changes in market rates, are recognised in the profit and loss accounts.

In order to eliminate the foreign exchange risk, the company has entered into currency swaps of the same amounts as covered bonds issued in foreign currencies. Counterparties to all derivative contracts are within the Nordea group.

Other information

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

Mainland economic activity continued to increase during the third quarter. The unemployment rate fell to 2.6% in September and is now close to the pre-pandemic level. House prices grow moderately in the third quarter and were 8% higher in September 2021 than in the same month last year. Now that the economy has normalised, Norges Bank has increased the key rate from 0.0% to 0.25% in September and signalled a new increase to 0.50% in December.

The Covid-19 situation in Norway has improved following the successful roll-out of vaccination programmes. The society is now reopening with limited or no restrictions. Nordea's Global Crisis Management team has monitored the situation and taken necessary action.

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 "Net loan losses", in Note 1 "Accounting policies", in Note 5 "Loans and impairment" and in Note 13 "Risks and uncertainties".

Nordea Direct Boligkreditt merger

Reference is made to previous updates regarding the merger between Nordea Direct Boligkreditt AS and Nordea Eiendoms kreditt AS. The group has set 1 November 2022 as the target completion date for the merger. The completion is subject to regulatory approval.

Nordea Eiendoms kreditt AS

Oslo, 12 November 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-Sep 2021	Jan-Sep 2020	Q3 2021	Q3 2020	Year 2020
Operating income						
Interest income calculated using the effective interest rate method		3 565 582	4 331 325	1 207 410	1 177 158	5 491 474
Other interest income		18 492	45 679	4 789	7 127	51 735
Interest expense		1 388 269	2 697 029	442 144	466 335	3 144 447
Net interest income	2	2 195 806	1 679 976	770 055	717 950	2 398 762
Fee and commission income		74 735	70 815	25 866	23 785	94 830
Fee and commission expense		19 122	14 292	8 954	8 317	20 578
Net fee and commission income		55 613	56 524	16 912	15 468	74 252
Net result from items at fair value	3	-109 704	-30 684	2 482	-8 627	-34 092
Other income		744	410	454	145	555
Total operating income		2 142 459	1 706 225	789 904	724 935	2 439 477
Staff costs		18 314	17 194	5 987	5 973	22 954
Other operating expenses		1 307 827	637 191	466 177	213 795	894 103
Depr/amortisation and impairment charges		55	55	18	18	74
Total operating expenses		1 326 196	654 441	472 182	219 786	917 131
Profit before loan losses		816 263	1 051 784	317 721	505 149	1 522 346
Loan losses	4	48 040	107 391	28 932	-1 415	98 290
Operating profit		768 223	944 394	288 789	506 564	1 424 056
Income tax expense		192 057	236 166	72 197	126 709	356 245
Net profit for the period		576 165	708 228	216 592	379 856	1 067 811
Attributable to:						
Shareholder of Nordea Eiendoms kreditt AS		576 165	708 228	216 592	379 856	1 067 811
Total		576 165	708 228	216 592	379 856	1 067 811

Statement of comprehensive income

NOKt	Jan-Sep 2021	Jan-Sep 2020	Q3 2021	Q3 2020	Year 2020
Net profit for the period	576 165	708 228	216 592	379 856	1 067 811
Items that may be reclassified subsequently to the income statement					
Cash flow hedges:					
Valuation gains/losses during the period	4 107	20 155	2 167	3 641	19 470
Tax on valuation gains/losses during the period	-1 027	-5 039	-542	-910	-4 868
Items that may not be reclassified subsequently to the income statement					
Defined benefit plans:					
Remeasurement of defined benefit plans	2 803	-8 357	329	222	-4 852
Tax on remeasurement of defined benefit plans	-701	2 089	-82	-55	1 213
Other comprehensive income, net of tax	5 183	8 849	1 872	2 897	10 964
Total comprehensive income	581 348	717 077	218 464	382 753	1 078 775
Attributable to:					
Shareholders of Nordea Eiendoms kreditt AS	581 348	717 077	218 464	382 753	1 078 775
Total	581 348	717 077	218 464	382 753	1 078 775

Balance sheet

NOKt	Note	30 Sep 2021	30 Sep 2020	31 Dec 2020
Assets				
Loans to credit institutions		535 641	3 873 685	471 612
Loans to the public	5	283 713 911	263 673 253	266 049 251
Interest-bearing securities		5 215 397	5 187 502	5 181 071
Derivatives	7	606 658	1 750 303	1 423 059
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-11 337	51 241	28 490
Property and Equipment owned and RoU		135	209	191
Other assets		0	12	0
Accrued income and prepaid expenses		22 140	53 644	38 308
Total assets	6	290 082 545	274 589 850	273 191 982
Liabilities				
Deposits by credit institutions		174 055 799	107 927 043	106 938 866
Debt securities in issue		93 647 787	143 270 225	142 743 573
Derivatives	7	0	14 520	39 218
Fair value changes of the hedged items in portfolio hedge of interest rate risk		253 720	1 107 214	795 070
Current tax liabilities		189 284	408 425	383 359
Other liabilities		9 003	13 398	9 050
Accrued expenses and prepaid income		889 695	74 515	94 018
Deferred tax liabilities		100 627	39 757	96 236
Provisions		3 474	4 623	4 582
Retirement benefit obligations		24 938	31 808	27 703
Subordinated loan capital		1 101 489	2 301 504	2 301 732
Total liabilities		270 275 815	255 193 034	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		-54 268	-61 566	-59 451
Retained earnings		8 751 206	8 216 527	9 284 400
Net profit for the period		576 165	708 228	
Total equity		19 806 730	19 396 816	19 758 576
Total liabilities and equity		290 082 545	274 589 850	273 191 982
Assets pledged as security for own liabilities		212 621 239	177 899 500	184 644 537
Contingent liabilities		0	183	0
Commitments		27 827 194	24 481 553	24 650 647

Nordea Eiendoms kreditt AS

Oslo, 12 November 2021



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Vice Chair



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Pål Ekberg
Board member



Anne Sofie Knoph
Employee representative



Børre S. Gundersen
Chief Executive Officer

Statements of changes in equity

	Other reserves					
				Defined benefit		
NOKt	Share capital ¹	Share premium	Cash flow hedges	plans	Retained earnings	Total equity
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			3 080	2 103	576 165	581 348
Contribution and distribution						
Share Based Payment Programme EIP					806	806
Dividend paid					-534 000	-534 000
Closing balance at 30 September 2021	1 717 662	8 815 965	-41 673	-12 595	9 327 371	19 806 730

NOKt	Other reserves						Total equity
	Share capital ¹	Share premium	Cash flow hedges	Defined benefit		Retained earnings	
				plans			
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	Other reserves					Retained earnings	Total equity
	Share capital ¹	Share premium	Cash flow hedges	Defined benefit			
				plans			
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			15 116	-6 268	708 228	717 077	
Contribution and distribution							
Share Based Payment Programme EIP					236	236	
Dividend paid					-484 900	-484 900	
Closing balance at 30 September 2020	1 717 662	8 815 965	-44 239	-17 326	8 924 754	19 396 816	

¹The company's share capital at 30 September 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.

Cash Flow statement

NOKt	Jan-Sep 2021	Jan-Sep 2020	Year 2020
Operating activities			
Operating profit before tax	768 223	944 394	1 424 056
Adjustments for items not included in cash flow	20 592	101 980	90 178
Income taxes paid	-383 470	-228 099	-317 470
Cash flow from operating activities before changes in operating assets and liabilities	405 345	818 275	1 196 764
Changes in operating assets			
Change in loans to the public	-17 686 359	-17 702 765	-19 929 696
Change in interest-bearing securities	-34 326	59 336	65 767
Change in derivatives, net	777 183	-1 090 065	-738 123
Change in other assets	56 051	58 373	-40 816
Changes in operating liabilities			
Change in deposits by credit institutions	67 116 934	-24 041 378	-25 029 556
Change in debt securities in issue	-49 095 786	45 146 558	44 619 906
Change in other liabilities	258 425	843 775	545 502
Cash flow from operating activities	1 797 467	4 092 109	689 747
Financing activities			
Change in subordinated loan capital	-1 200 243	-1 150	-922
Dividend paid	-534 000	-484 900	-484 900
Share Based Payment Programme EIP	806	237	299
Cash flow from financing activities	-1 733 437	-485 813	-485 523
Cash flow for the year	64 029	3 606 296	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	535 641	3 873 685	471 612
Change	64 029	3 606 296	204 224

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 on 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 three quarters 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 third 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 impairment of loans to the public can be found in Note 5.

Critical judgements are applied when determining the fair value of financial instruments that lack quoted prices or recently observed market prices. In 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 9.

Exchange rates

	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
GBP 1 = NOK			
Income statement (average)	11,8413	12,1187	12,0664
Balance sheet (at end of period)	11,7928	12,1643	11,6589
EUR 1 = NOK			
Income statement (average)	10,2275	10,7196	10,7291
Balance sheet (at end of period)	10,1330	11,0665	10,4703

Note 2 Net interest income

	Jan-Sep	Jan-Sep	Q3	Q3	Full year
NOKt	2021	2020	2021	2020	2020
Interest income calculated using the effective interest rate method	3 565 582	4 331 325	1 207 410	1 177 158	5 491 474
Other interest income	18 492	45 679	4 789	7 127	51 735
Interest expense	1 388 269	2 697 029	442 144	466 335	3 144 447
Net interest income	2 195 806	1 679 976	770 055	717 951	2 398 762
Interest income calculated using the effective interest rate method					
Loans to credit institutions	637	1 417	72	478	2 186
Loans to customers	3 526 981	4 299 873	1 195 745	1 168 741	5 449 585
Yield fees and interest on hedges of assets	37 965	30 036	11 592	7 939	39 703
Interest income	3 565 582	4 331 325	1 207 410	1 177 158	5 491 474
Other interest income					
Interest-bearing securities measured at fair value	18 492	45 679	4 789	7 127	51 735
Other interest income¹	18 492	45 679	4 789	7 127	51 735
Interest expense					
Deposits by credit institutions	720 372	1 307 573	272 055	203 200	1 498 762
Debt securities in issue	803 382	1 495 604	167 851	347 745	1 831 671
Subordinated loan capital	36 713	49 744	11 561	12 271	61 820
Other interest and related expense ¹	-172 198	-155 892	-9 324	-96 881	-247 806
Interest expense	1 388 269	2 697 029	442 144	466 335	3 144 447

Interest from categories of financial instruments

	Jan-Sep	Jan-Sep	Q3	Q3	Full year
NOKt	2021	2020	2021	2020	2020
Financial assets at amortised cost	3 579 915	4 339 718	1 212 237	1 182 975	5 505 765
Financial assets at fair value through profit and loss (related to hedging instruments) ¹	-14 332	-8 392	-4 827	-5 817	-14 291
Financial assets at fair value through profit or loss	18 492	45 679	4 789	7 127	51 735
Financial liabilities at amortised cost	-1 624 815	-2 922 558	-472 917	-585 854	-3 482 636
Financial liabilities at fair value through profit or loss	236 546	225 529	30 773	119 519	338 189
Net interest income	2 195 806	1 679 976	770 055	717 951	2 398 762

¹ Includes net interest income from derivatives, measured at fair value and related to Nordea Eiendomskredit's funding. This can have both a positive and negative impact on other interest expense, for further information see Note 1 Accounting policies in the Annual Report 2020.

Note 3 Net result from items at fair value

NOKt	Jan-Sep 2021	Jan-Sep 2020	Q3 2021	Q3 2020	Year 2020
Financial instruments at FVPL - Mandatorily ¹	23 060	-16 595	6 856	4 320	-21 292
Financial instruments under hedge accounting	-132 764	-14 089	-4 374	-12 947	-12 800
- of which net gains/losses on hedged items	370 671	-794 708	89 511	56 259	-504 547
- of which net gains/losses on hedging instruments	-503 435	780 619	-93 885	-69 206	491 747
Total	-109 704	-30 684	2 482	-8 627	-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-Sep 2021	Jan-Sep 2020	Q3 2021	Q3 2020	Year 2020
Net loan losses, Stage 1	-5 396	24 605	2 855	6 493	28 779
Net loan losses, Stage 2	19 782	67 383	24 303	-8 449	33 737
Total loan losses, non-defaulted¹	14 386	91 988	27 158	-1 956	62 515
Stage 3, defaulted					
Net loan losses, individually assessed, collectively calculated	19 945	15 425	-9 267	467	34 123
Realised loan losses	27 962	5 409	11 061	2 033	8 103
Decrease of provisions to cover realised loan losses	-6 662	-3 684	0	-1 670	-4 026
Recoveries on previous realised loan losses	-515	0	-20	0	0
Reversals of provisions	-7 076	-1 746	0	-290	-2 426
Net loan losses, defaulted	33 654	15 403	1 774	541	35 775
Net loan losses	48 040	107 391	28 932	-1 415	98 290

Key ratios ¹	Jan-Sep 2021	Jan-Sep 2020	Q3 2021	Q3 2020	Year 2020
Loan loss ratio, basis points	2,34	5,62	4,10	-0,22	3,82
- of which stage 1	-0,26	1,29	0,40	0,99	1,12
- of which stage 2	0,96	3,52	3,44	-1,29	1,31
- of which stage 3	1,64	0,81	0,25	0,08	1,39

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

Note 5 Loans and impairment

Loans and impairment

NOKt	30 Sep 2021	30 Sep 2020	31 Dec 2020
Loans measured at amortised cost, not impaired (Stage 1 and 2)	283 420 149	262 963 486	265 461 969
Impaired loans (Stage 3)	505 716	911 781	777 534
- of which servicing	117 043	257 401	183 567
- of which non-servicing	388 673	654 380	593 967
Loans before allowances	283 925 865	263 875 267	266 239 503
Allowances for individually assessed impaired loans (Stage 3)	-81 511	-57 616	-75 304
- of which servicing	-10 246	-10 106	-9 092
- of which non-servicing	-71 265	-47 510	-66 213
Allowances for collectively assessed impaired loans (Stage 1 and 2)	-130 443	-144 398	-114 948
Allowances	-211 953	-202 014	-190 252
Loans, carrying amount	283 713 911	263 673 253	266 049 251

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	-22 761	-25 532	-8 420	-56 712
Changes due to transfers from Stage 1 to Stage 2	2 340	-36 838	0	-34 498
Changes due to transfers from Stage 1 to Stage 3	31	0	-2 215	-2 185
Changes due to transfers from Stage 2 to Stage 1	-1 195	27 379	0	26 183
Changes due to transfers from Stage 2 to Stage 3	0	586	-3 913	-3 327
Changes due to transfers from Stage 3 to Stage 1	-82	0	1 561	1 479
Changes due to transfers from Stage 3 to Stage 2	0	-2 033	7 969	5 936
Changes due to changes in credit risk without stage transfer	16 425	-410	-31 513	-15 498
Changes due to repayments and disposals	8 853	17 743	23 663	50 259
Write-off through decrease in allowance account	0	0	6 662	6 662
Balance at 30 September 2021	-38 334	-92 108	-81 511	-211 953

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	-24 820	-8 622	-9 565	-43 007
Changes due to transfers from Stage 1 to Stage 2	1 244	-38 663	0	-37 419
Changes due to transfers from Stage 1 to Stage 3	53	0	-4 922	-4 870
Changes due to transfers from Stage 2 to Stage 1	-1 972	14 224	0	12 253
Changes due to transfers from Stage 2 to Stage 3	0	1 317	-7 399	-6 082
Changes due to transfers from Stage 3 to Stage 1	-236	0	2 746	2 510
Changes due to transfers from Stage 3 to Stage 2	0	-1 017	4 402	3 385
Changes due to changes in credit risk without stage transfer	-255	-42 430	-6 490	-49 175
Changes due to repayments and disposals	3 567	8 609	7 645	19 820
Write-off through decrease in allowance account	0	0	3 684	3 684
Balance at 30 September 2020	-37 979	-106 419	-57 616	-202 014

Note 5 Loans and impairment cont.

Key ratios

	30 Sep 2021	30 Sep 2020	31 Dec 2020
Impairment rate, (stage 3) gross, basis points ¹⁾	17,8	34,6	29,2
Impairment rate (stage 3), net, basis points ²⁾	14,9	32,4	26,4
Total allowance rate (stage 1, 2 and 3), basis points ³⁾	7,5	7,7	7,1
Allowances in relation to credit impaired loans (stage 3), % ⁴⁾	16,1	6,3	9,7
Allowances in relation to loans in stage 1 and 2, basis points ⁵⁾	4,6	5,5	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).

All Covid-19 related instalment-free periods have now expired, and the share of volume with instalment-free period is lower than before the pandemic, indicating that customers that were granted instalment-free periods due to the pandemic have returned to normal payment schedules.

NOKt	30 Sep 2021	30 Sep 2020	31 Dec 2020
Forborne loans	743 371	814 622	979 611
-of which defaulted	55 975	112 883	116 072
Allowances for forborne loans	11 172	8 297	8 378
-of which defaulted	6 000	2 026	2 375

Key ratios

Forbearance ratio, basis points ⁶⁾	26,2	30,9	36,8
Forbearance coverage ratio, % ⁷⁾	1,5	1,0	0,9
-of which defaulted, %	10,7	1,8	2,0

⁶⁾ Forborne loans/Loans before allowances.

⁷⁾ Allowances for forborne loans/Forborne loans

Forward looking information

Forward looking information is used both for assessing significant increases in credit risk and in calculating expected credit losses. Nordea Eiendoms kreditt uses three macroeconomic scenarios; a base scenario, a favourable scenario and an adverse scenario. For the third quarter of 2021 the scenarios were weighted into the final expected credit losses (ECL) as follows: baseline 60%, adverse 20% and favourable 20% (baseline 50%, adverse 45% and favourable 5% at the end of December 2020 and baseline 60%, adverse 20% and favourable 20% at the end of June 2021). The consistency in weighting between the second and third quarters of 2021 reflects continued reduced uncertainty regarding the impact of the pandemic, reduced downside risks following progress in Covid-19 vaccination programmes, and the easing of restrictions in society and the economy.

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, and for periods beyond, a long-term average is used in the ECL calculations.

The macro scenarios reflect Nordea's view of how the economy will potentially develop following the reopening of the society after Covid-19 related lockdowns. The scenarios take into account 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 European Central Bank's macroeconomic forecasts for the euro area.

The most important public sector actions for Nordea Eiendoms kreditt's housing loans, have been the various forms of

labour market support schemes, which have significantly decreased expected defaults and losses. There is still substantial uncertainty surrounding the recovery ahead, but expansionary fiscal and monetary policy, large household savings and pent-up demand provide a sound basis for a sharp further increase in activity in 2022. In the long term however, economic growth is expected to gradually normalise. Following strong housing market activity over the past year, the development of house prices is expected to become more subdued in the future.

At the end of the third quarter of 2021 adjustments to model-based allowances/provisions amounted to NOK 27m, including management judgements. The management judgements cover expected credit losses not yet covered by the IFRS model. The cyclical reserve amounted to NOK 25m at the end of the third quarter of 2021 (unchanged from end of the second quarter of 2021). The structural reserve (to be later covered by remaining model updates) amounted to NOK 2m (unchanged from the end of the second quarter of 2021). The total loan loss allowances as of 30 September 2021 was NOK 212m.

Real GDP, % y/y	2022	2023	2024
Favourable scenario	4,6	1,6	1,0
Baseline scenario	3,6	1,2	1,0
Adverse scenario	1,7	1,2	1,1

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)				
30 September 2021, NOKt	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial assets	Total
Assets					
Loans to credit institutions	535 641				535 641
Loans to the public	283 713 911				283 713 911
Interest-bearing securities		5 215 397			5 215 397
Derivatives		-18 937	625 595		606 658
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-11 337				-11 337
Equipment owned and RoU				135	135
Prepaid expenses and accrued income	20 416			1 724	22 140
Total assets	284 258 631	5 196 460	625 595	1 859	290 082 545

	Fair value through profit or loss (FVPL)				
30 September 2021, NOKt	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions	174 055 799				174 055 799
Debt securities in issue	93 647 787				93 647 787
Fair value changes of the hedged items in portfolio hedge of interest rate risk	253 720				253 720
Current tax liabilities				189 284	189 284
Other liabilities	2 517			6 486	9 003
Accrued expenses and prepaid income	277			889 418	889 695
Deferred tax liabilities				100 627	100 627
Provisions				3 474	3 474
Retirement benefit obligations				24 938	24 938
Subordinated loan capital	1 101 489				1 101 489
Total liabilities	269 061 589	0	0	1 214 227	270 275 815

Note 7 Derivatives and hedge accounting

30 September 2021, NOKt	Positive	Fair value Negative	Total nominal amount
Derivatives at FVPL - Mandatorily ¹:			
Interest rate sw aps	-18 937	0	45 000 000
Total	-18 937	0	45 000 000
Derivatives used for hedge accounting:			
Interest rate sw aps	260 543	0	12 904 000
Currency interest rate sw aps	365 052	0	4 208 000
Total	625 595	0	17 112 000
- of w hich fair value hedges	260 543	0	12 904 000
- of w hich cash flow hedges	365 052	0	4 208 000
Total derivatives	606 658	0	62 112 000

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	39 218	71 054 730

30 September 2020, NOKt	Positive	Fair value Negative	Total nominal amount
Derivatives at FVPL - Mandorily ¹:			
Interest rate sw aps	245	9 500	24 000 000
Total	245	9 500	24 000 000
Derivatives used for hedge accounting:			
Interest rate sw aps	1 104 797	5 020	22 743 000
Currency interest rate sw aps	645 261	0	4 340 730
Total	1 750 058	5 020	27 083 730
- of w hich fair value hedges	1 104 797	5 020	22 743 000
- of w hich cash flow hedges	645 261	0	4 340 730
Total derivatives	1 750 303	14 520	51 083 730

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	30 Sep 2021		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	284 238 215	284 969 647	266 549 354	266 415 070
Interest-bearing securities	5 215 397	5 215 397	5 181 071	5 181 071
Derivatives	606 658	606 658	1 423 059	1 423 059
Prepaid expenses and accrued income	20 416	20 416	36 755	36 755
Total financial assets	290 080 686	290 812 118	273 190 239	273 055 955
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Deposits and debt instruments	269 058 795	269 853 842	252 779 239	254 196 841
Derivatives	0	0	39 218	39 218
Other financial liabilities	2 517	2 517	1 447	1 447
Accrued expenses and prepaid income	277	277	351	351
Total financial liabilities	269 061 589	269 856 636	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
30 Sep 2021, NOKt				
Financial assets ¹				
Interest-bearing securities		5 215 397		5 215 397
Derivatives		545 813	60 845	606 658
Total assets	0	5 761 210	60 845	5 822 055
Financial liabilities ¹				
Derivatives		0		0
Total liabilities	0	0	0	0
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

	1 Jan 2021	Unrealised fair value gains/losses recorded in the income statement	Transfers into Level 3	Transfers out of Level 3	30 Sep 2021
30 Sep 2021, NOKt					
Derivatives (net)	300 414	-140 311		-99 258	60 845
- of which life					

Unrealised gains and losses relates to those assets and liabilities held at the end of the reporting period. During the period Nordea Eiendomskreditt AS had transfers from level 3 to level 2 of the fair value hierarchy. The reason for the transfer out of level 3, is that observable market data has now become available for some of the longer maturities. 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".

The valuation processes for fair value measurements in Level 3

Financial instruments

The valuation process in Nordea consists of several steps. The first step is to determine the end of day (EOD) marking of mid-prices. It is the responsibility of the business areas to determine correct prices used for the valuation process. These prices are either internally marked prices set by a trading unit or externally sourced prices. The valuation prices and valuation approaches are then controlled and tested by a valuation control function within the 1st line of defence, which is independent from the risk taking units in the front office. The cornerstone in the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by comparing the prices to independently sourced data. The result of the IPV is analysed and any findings are escalated as appropriate. The verification of the correctness of prices and inputs is as minimum carried out on a monthly basis and is for many products carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis.

The valuation adjustment at portfolio level and the deferrals of day 1 P/L on Level 3 trades are calculated and reported on a monthly basis. The actual assessment of instruments in the fair value hierarchy is performed on a continuous basis.

Specialised teams within the unit Balance Sheet Risk Control (BSRC) are responsible for overseeing and independently assessing the valuations performed by the 1st line of defence. These teams are responsible for 2nd line of defence oversight for valuations, with independent reporting responsibilities towards the CRO and the BAC.

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

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

30 Sep 2021, NOKt	Fair value	Valuation techniques	Unobservable input
Derivatives			
Interest rate derivatives	60 845	Option model	Correlation, volatilities
Total	60 845		

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 "Determination of fair value of financial instruments").

Note 10 Cover Pool

NOKt	30 Sep 2021		30 Sep 2020		31 Dec 2020	
	Nominal value	Net Present Value	Nominal value	Net Present Value	Nominal value	Net Present Value
Loans to the public	283 729 209	283 622 396	263 680 838	263 820 311	266 041 856	265 907 572
- w hereof pool of eligible loans	212 621 239	212 541 196	177 899 500	177 993 599	184 644 537	184 551 339
Supplementary assets and derivatives:						
- w hereof CIRS	343 152	400 269	561 191	674 853	343 862	457 787
- w hereof IRS	0	353 231	0	1 265 372	0	1 113 390
Total cover pool	212 964 391	213 294 695	178 460 691	179 933 824	184 988 400	186 122 516
Debt securities in issue (net outstanding amount)	92 677 152	93 230 092	142 485 921	144 082 589	141 793 592	143 152 487
Over-collateralization calculated on net outstanding covered bonds	129,8 %	128,8 %	25,2 %	24,9 %	30,5 %	30,0 %
Debt securities in issue (issue amount)	92 677 152	93 230 092	142 485 921	144 082 589	141 793 592	143 152 487
Over-collateralization calculated on issued covered bonds (gross outstanding covered bonds) ¹	129,8 %	128,8 %	25,2 %	24,9 %	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	30 Sep 2021			30 Sep 2020		
	Nominal value	Other ¹	Carrying amount	Nominal value	Other ¹	Carrying amount
Covered bonds issued in Norwegian kroner	88 126 000			137 584 000		
Holdings of own covered bonds in Norwegian kroner	0			0		
Outstanding covered bonds issued in Norwegian kroner	88 126 000			137 584 000		
Covered bonds issued in GBP (in NOK)	3 537 852			3 795 271		
Covered bonds issued in EUR (in NOK)	1 013 300			1 106 650		
Total outstanding covered bonds	92 677 152	970 635	93 647 787	142 485 921	784 304	143 270 225
Loans and deposits from financial institutions for a fixed term	173 893 951	161 848	174 055 799	107 120 951	106 092	107 927 043
Subordinated loan	1 100 000	1 489	1 101 489	2 300 000	1 504	2 301 504
Total	267 671 103	1 133 971	268 805 074	251 906 872	891 900	253 498 772

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

Maturity information

Maximum 1 year	74 844 650	56 959 301
More than 1 year	192 826 453	195 647 571
Total	267 671 103	252 606 872

Norwegian covered bonds (NOKt) at 30 September 2021

ISIN code	Issue date	Final payment date	Interest	Interest rate in %	Currency	Outstanding nominal amount
NO0010593064	22.12.2010	18.06.2025	Fixed	4,80	NOK	550 000
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	13 711 000
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
NO0010893282	16.09.2020	16.09.2025	Float	3M Nibor + 1.50%	NOK	7 750 000
NO0010981301	21.04.2021	18.03.2026	Float	3M Nibor + 1.50%	NOK	6 500 000
Total						88 126 000

Covered bonds issued in foreign currency at 30 September 2021

ISIN code	Issue date	Final payment date	Interest	Interest rate in %	Currency	Outstanding nominal amount
XS1837099339	18.06.2018	18.06.2023	Float	3M GBP Libor + 0.33%	GBP	300 000
XS1451306036	19.07.2016	15.07.2031	Fixed	0,74	EUR	100 000
Total (in NOKt equivalent)						4 551 152

Note 12 Capital adequacy

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

Summary of items included in own funds

NOKm	30 Sep 2021	31 Dec ¹ 2020	30 Sep 2020
Equity in the consolidated situation	19 231	19 759	18 689
Proposed/actual dividend		-534	
Common Equity Tier 1 capital before regulatory adjustments	19 231	19 225	18 689
Deferred tax assets			
Intangible assets			
IRB provisions shortfall (-)	-127	-136	-151
Pension assets in excess of related liabilities			
Other items, net	35	40	36
Total regulatory adjustments to Common Equity Tier 1 capital	-91	-97	-115
Common Equity Tier 1 capital (net after deduction)	19 139	19 128	18 574
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)	19 139	19 128	18 574
Tier 2 capital before regulatory adjustments	1 100	2 300	2 300
IRB provisions excess (+)	81	61	42
Deductions for investments in insurance companies			
Other items, net			
Total regulatory adjustments to Tier 2 capital	81	61	42
Tier 2 capital	1 181	2 361	2 342
Own funds (net after deduction)²	20 320	21 489	20 915

¹ Including profit for the period

² Own Funds adjusted for IRB provision, i.e. adjusted own funds equal NOK 20,366m by 30 Sep 2021

Own Funds, including profit

NOKm	30 Sep 2021	31 Dec 2020	30 Sep 2020
Common Equity Tier 1 capital, including profit	19 139	19 128	18 931
Total Own Funds, including profit	20 319	21 489	21 272

Note 12 Capital adequacy cont.

Minimum capital requirement and REA (Risk Exposure Amount)

	30 Sep 2021	30 Sep 2021	31 Dec 2020	31 Dec 2020	30 Sep 2020	30 Sep 2020
	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
NOKm						
Credit risk	5 124	64 055	4 807	60 091	4 856	60 705
- of which counterparty credit risk	24	305	27	341	33	412
IRB	5 091	63 641	4 773	59 658	4 761	59 518
- sovereign						
- corporate						
- advanced						
- foundation						
- institutions	18	225	14	180	14	180
- retail	5 072	63 405	4 758	59 477	4 743	59 286
- secured by immovable property collateral	4 497	56 212	4 172	52 146	4 069	50 858
- other retail	575	7 193	586	7 330	674	8 428
- other	1	10	0	1	4	52
Standardised	33	415	35	434	95	1 187
- central governments or central banks						
- regional governments or local authorities						
- public sector entities						
- multilateral development banks						
- international organisations						
- institutions	33	415	35	434	95	1 187
- corporate						
- retail						
- secured by mortgages on immovable properties						
- in default						
- associated with particularly high risk						
- covered bonds						
- institutions and corporates with a short-term credit assessment						
- collective investments undertakings (CIU)						
- equity						
- other items						
Credit Valuation 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	25	2	21	2	25
Additional risk exposure amount due to Article 3 CRR						
Total	5 354	66 926	5 004	62 546	5 053	63 164

Note 12 Capital adequacy cont.

Minimum Capital Requirement & Capital Buffers

Percentage	Minimum Capital requirement	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
Own funds	8,0	2,5	1,0		4,5	8,0	16,0

NOKm							
Common Equity Tier 1 capital	3 012	1 673	668		3 004	5 344	8 356
Tier 1 capital	4 016	1 673	668		3 004	5 344	9 360
Own funds	5 354	1 673	668		3 004	5 344	10 699

Common Equity Tier 1 available to meet Capital Buffers

	30 Sep	31 Dec ¹	30 Sep
Percentage points of REA	2021	2020	2020
Common Equity Tier 1 capital	22,4	24,6	23,4

¹ Including profit for the period

Capital ratios

Percentage	30 Sep	31 Dec	30 Sep
	2021	2020	2020
Common Equity Tier 1 capital ratio, including profit	28,6	30,6	30,0
Tier 1 capital ratio, including profit	28,6	30,6	30,0
Total capital ratio, including profit	30,4	34,4	33,7
Common Equity Tier 1 capital ratio, excluding profit	28,6	29,7	29,4
Tier 1 capital ratio, excluding profit	28,6	29,7	29,4
Total capital ratio, excluding profit	30,4	33,5	33,1

Assumed 100% dividend payment

Leverage ratio

	30 Sep	31 Dec ¹	30 Sep
	2021	2020	2020
Tier 1 capital, transitional definition, NOKm	19 139	19 128	18 574
Leverage ratio exposure, NOKm	304 842	285 725	287 062
Leverage ratio, percentage	6,3	6,7	6,5

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
Institutions, foundation IRB:	3 115		3 115		7
<i>of which</i>					
- rating grades 6	3 115		3 115		7
- rating grades 5					
- rating grades 4					
- rating grades 3					
- rating grades 2					
- rating grades 1					
- unrated					
- defaulted					
Retail, of which secured by real estate:	254 008	7 004	256 389	2 382	22
<i>of which</i>					
- scoring grades A	204 742	6 098	206 815	2 073	21
- scoring grades B	34 765	672	34 994	228	21
- scoring grades C	10 740	172	10 799	59	24
- scoring grades D	3 328	62	3 349	21	39
- scoring grades E					
- scoring grades F					
- not scored					
- defaulted	432	0	432	0	244
Retail, of which other retail:	29 919	20 823	36 999	7 080	19
<i>of which</i>					
- scoring grades A	13 893	17 934	19 990	6 098	7
- scoring grades B	2 990	1 641	3 549	558	14
- scoring grades C	993	583	1 191	198	25
- scoring grades D	8 325	506	8 497	172	37
- scoring grades E	2 518	107	2 555	36	40
- scoring grades F	740	27	749	9	57
- not scored	406	23	414	8	63
- defaulted	54	1	54	0	325
Other non credit-obligation assets:	10		10		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 cross currency swaps. Counterparties to all derivative contracts are Nordea Group internal. The volume and fair value of the derivative contracts are shown in note 7.

Nordea Bank Abp, filial i Norge provides unsecured funding to Nordea Eiendomskreditt, and at the end of the third quarter 2021 such borrowings amounted to NOK 173.9 billion. Subordinated loans provided by Nordea Bank Abp was NOK 1.1 billion at the end of the third quarter. In addition, Nordea Bank Abp had a holding of covered bonds issued by Nordea Eiendomskreditt of NOK 48.6 million at the end of the third quarter of 2021.

Loans to the public are managed by Nordea Bank Abp, filial i Norge. For loans issued directly from Nordea Eiendomskreditt, this management includes credit assessment and other processes in relation to the loan origination, i.e. sales and distribution services. As a result of an update of the transfer pricing method for the internal sales and distribution services, these fees have increased compared to 2020, and amounted to NOK 1,251 million in the first nine months 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 22 million in the first nine months of 2021. All group internal transactions are settled according to market-based principles on conformity with OECD requirements on transfer pricing.

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