

Nordea

Interim Report 4th quarter 2023

Nordea Eiendoms kreditt AS

(unaudited)



Key financial figures

Summary of the income statement (NOKm)

	Jan-Dec 2023	Jan-Dec 2022
Net interest income	1 937	2 319
Net fee and commission income	85	77
Net result from items at fair value	-77	-11
Other operating income	1	3
Total operating income	1 945	2 388
Staff costs	38	31
Other expenses	1 192	1 387
Total operating expenses	1 230	1 419
Loan losses (negative figures are reversals)	47	106
Operating profit	668	863
Income tax expense	168	215
Net profit for the period	500	648

Summary of the balance sheet (NOKm)

	31 Dec 2023	31 Dec 2022
Loans to the public, gross	334 668	323 563
Allowance for loan losses	-361	-311
Other assets	13 239	6 555
Debt securities in issue	197 449	149 352
Other liabilities	128 192	158 401
Equity	21 905	22 054
Total assets	347 547	329 807
Average total assets	341 664	322 559

Ratios and key figures

	31 Dec 2023	31 Dec 2022
Basic/diluted Earnings per share (EPS), annualised basis, NOK	29,8	38,6
Equity per share ¹ , NOK	1 305	1 314
Shares outstanding ¹ , million	16,8	16,8
Return on average equity	2,3 %	2,9 %
Cost/income ratio	63,2 %	59,4 %
Loan loss ratio, annualised, basis points	1,4	3,4
Risk Exposure Amount ¹ , NOKm	81 987	80 161
Own funds, NOKm ^{1,2}	22 555	22 530
Common Equity Tier 1 capital ratio	26,0%	26,6%
Tier 1 capital ratio ^{1,2}	26,0%	26,6%
Total capital ratio ^{1,2}	27,5%	28,1%
Number of employees (Full-time equivalents) ¹	24,0	21,5

¹ At the end of the period.

² Excluding the year to date profit for intetrim year.

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

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 and loans to holiday homes in Norway, including secured construction loans, and to finance its lending activities mainly by issuing covered bonds. The mortgage loan portfolio of NOK 334bn at the end of 2023 consists of loans originated directly from own balance sheet, bought from the parent bank, or added as a result of the merger with Nordea Direct Boligkreditt AS in 2022. 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.

Income Statement

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

Profit before loan losses

Operating profit in the fourth quarter of 2023 was NOK 105m (NOK 108m) and for the whole year NOK 668m (NOK 863m). The reduction compared to last year is mainly driven by significant reduction in lending margin as a result of the steep increase in interest rates following 6 rate hikes by Norwegian Central Bank, and the effect of 2 months' notice period for changes in customer mortgage rates.

Net loss from items at fair value is higher and net loan losses from the mortgage loan portfolio is lower in 2023 than last year, and the net effect on operating profit from these two items is close to zero.

Return on average equity for the full year 2023 was 2.3% (2.9%). The return on equity is on a historically low level. This is to a large extent explained by the lower lending margins, 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 fourth quarter decreased by 22% compared to the same period last year and amounted to NOK 350m (NOK 447m). For the full year 2023 the decrease in net interest income was 16% from NOK 2 319m to NOK 1 937m. 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 fourth quarter amounted to NOK 229m (NOK 285m), whereof NOK 10m (NOK 9m) is staff related. 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. 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 in conformity with OECD guidelines on transfer pricing. The cost/income ratio for the fourth quarter of 2023 was 65.8% (63.6%).

Total operating expenses for the full year 2023 was NOK 1 230m (NOK 1 419m) and the cost/income ratio was 63.2% (59.4%).

Net loan losses

Loan losses and provisions recognised in the fourth quarter of 2023 were NOK 13.4m (NOK 55.2m), whereof NOK 16.0m is related to increased allowances for mortgage loans and NOK -2.5m is net realised loan losses (recovery). Loan losses for the full year 2023 were NOK 47.1m (NOK 106.4m) whereof NOK 0.5m was realised loan losses (NOK 8.6m).

Loan loss allowances have increased from NOK 311m at the beginning of the year to NOK 361m at the end of 2023, mainly due to migration of loans into Stage 3 where loan loss provisions are calculated and booked for the full remaining lifetime of the loans. The management judgements included in the loan loss allowances were reduced by NOK 9m to NOK 92m in the fourth quarter.

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.

The underlying net loan losses in Nordea Eiendoms kreditt are low, reflecting a strong credit portfolio. Loans in Stage 3 (impaired loans) have increased, hence some deterioration in the credit quality which is also reflected in increased loan loss allowances. We have seen more downgrades than upgrades in the customers' risk grade during the fourth quarter mainly related to fluctuation between risk grade 6 and 5 (customers with lowest risk). 93% of the exposure was scored 4- or better in the fourth quarter (92,8% in third quarter). See note 4 and note 5 for further information about loan losses and impairment.

Funding and liquidity

During the fourth quarter of 2023 Nordea Eiendoms kreditt issued covered bonds amounting to NOK 22.4bn in the Norwegian domestic market under its NOK 250bn domestic covered bond programme. In the same period NOK 0.9bn have been bought back. During the full year 2023 Nordea Eiendoms kreditt has issued covered bonds of NOK 74.5bn while NOK 23.4bn have matured or been bought back. GBP 300m have also matured in 2023. As at the end of 2023, Nordea Eiendoms kreditt had outstanding covered bonds totalling NOK 194.8bn in the Norwegian market and EUR

0.1bn in the European market. Nordea Eiendoms kreditt also had subordinated debt outstanding to the amount of NOK 1.1bn.

In addition to the long-term funding, Nordea Eiendoms kreditt also raised unsecured funding from the parent bank. At the end of 2023 such borrowings amounted to NOK 124.9bn.

Nordea Eiendoms kreditt holds a liquidity buffer of NOK 10.3bn and the Liquidity Coverage Ratio (LCR) according to the EBA Delegated Act was 1780% (1274%) at the end of 2023. 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 115.1% (113.1%) at the end of 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 334bn at the end of 2023 (NOK 323bn), bought from Nordea Bank Abp, filial i Norge, issued directly from Nordea Eiendoms kreditt's own balance sheet or added to the loan portfolio as a result of the merger with Nordea Direct Boligkreditt in 2022. NOK 314bn (NOK 245bn) 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 60.0% (65.4%) in relation to gross issued covered bonds.

Total assets amounted to NOK 348bn at the end of 2023 (NOK 330bn).

Impaired loans

As of 31 December 2023 impaired loans amounted to NOK 1 033m which corresponds to 0.31% of the total loan portfolio. Allowances of NOK 162m have been made, and net impaired loans were NOK 871m at the end of 2023 compared to NOK 494m at the end of 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 fourth quarter of 2023, the company was party to interest rate swaps with a nominal value of NOK 44.3bn. 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 requirements and capital position

Regulatory development

There are no new regulatory rules impacting Nordea Eiendoms kreditt in Q4 2023. The Ministry of Finance informed on 20 December 2023, that with effect from 31 December 2023, at least three quarters of the additional own funds requirement, through the Pillar 2 requirements, shall be met with Tier 1 capital and at least three quarters of the Tier 1 capital shall be composed of Common Equity Tier 1 capital. These rules are implemented in the Norwegian CRR/CRD IV regulation. Nordea Eiendoms kreditt are already subject to these rules in their supervision.

Capital position

Nordea Eiendoms kreditt's Common Equity Tier 1 capital ratio was 26.0% at the end of 2023, an increase of 0.2 percentage points from the end of last quarter and a decrease of 0.6 percentage points since end of last year. Also total Capital ratio increased 0.2 percentage points since end of last quarter and decreased 0.6 percentage points since end of last year to 27.5%. The decrease was primarily due to increased Risk Exposure Amount (REA).

REA was NOK 82.0bn, an increase of 2.3% compared to the end of last year (NOK 80.2bn). The main driver for the increase in REA was increased size of the IRB retail portfolio. Own funds was NOK 22.6bn at the end of 2023, of which NOK 1.1bn is a subordinated loan. The Tier 1 capital and the Common Equity Tier 1 capital were NOK 21.3bn (no additional Tier 1 capital).

Other information

Impacts from Russia's invasion of Ukraine

The impact of uncertainty after the onset of the war – reflected in higher inflation and higher interest rates etc – on the global and Nordic economies was further assessed in the fourth quarter. These assessments 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 judgements to ensure that the overall provisioning levels are appropriate. Nordea will continue to follow developments closely.

Information on the financial and operational impacts of the war in Ukraine, 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 12 "Risks and uncertainties".

Acquisition of Danske Bank's Norwegian mortgage loan portfolio

Nordea has entered into an agreement with Danske Bank to acquire its Norwegian personal customer and private banking business and associated asset management portfolios, whereof the mortgage loan portfolio will be purchased by Nordea Eiendoms kreditt AS. The Norwegian Competition Authority announced its approval of the acquisition on 15 December 2023 and the Norwegian Supervisory Authority approved the acquisition on 6 February 2024. Nordea Eiendoms kreditt expects to close the transaction in late 2024, whereafter the acquired mortgage loans will be integrated into the company.

Macroeconomy

Norwegian mainland GDP increased by 0.1% quarter on quarter during the third quarter of 2023. Registered unemployment was low at 1.9% in December. Consumer price inflation has decreased while core inflation remains high. Headline CPI inflation stood at 4.8% in December and

underlying inflation stood at 5.5%, excluding energy and taxes. Norges Bank has increased its policy rate 14 times since 2021, bringing it to 4.5% as of December 2023. Housing prices were broadly stable during 2023. The Norwegian krone generally weakened against most currencies, but gained ground in the last two weeks of the year.

Nordea Eiendoms kreditt AS

Oslo, 13 February 2024

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
Chief Executive Officer

Income statement

NOKt	Note	Jan-Dec 2023	Jan-Dec 2022	Q4 2023	Q4 2022
Operating income					
Interest income calculated using the effective interest rate method	2	15 553 396	8 458 243	4 485 063	2 945 212
Other interest income	2	358 198	98 957	131 235	41 288
Interest expense	2	13 975 092	6 238 603	4 266 526	2 539 900
Net interest income		1 936 502	2 318 597	349 772	446 600
Fee and commission income		116 322	111 547	33 064	28 005
Fee and commission expense		31 381	34 569	5 169	9 376
Net fee and commission income		84 940	76 978	27 895	18 629
Net result from items at fair value	3	-77 058	-11 077	-29 988	-17 475
Other income		584	3 359	0	640
Total operating income		1 944 968	2 387 857	347 679	448 394
Staff costs		37 902	31 171	10 289	8 762
Other operating expenses		1 191 832	1 387 333	218 415	276 260
Depr/amortisation and impairment charges		155	136	47	34
Total operating expenses		1 229 889	1 418 640	228 751	285 056
Profit before loan losses		715 079	969 216	118 928	163 338
Loan losses	4	47 139	106 375	13 435	55 213
Operating profit		667 940	862 841	105 493	108 125
Income tax expense		167 677	215 022	27 054	26 339
Net profit for the period		500 263	647 819	78 439	81 786
Attributable to:					
Shareholder of Nordea Eiendoms kreditt AS		500 263	647 819	78 439	81 786
Total		500 263	647 819	78 439	81 786

Statement of comprehensive income

NOKt	Jan-Dec 2023	Jan-Dec 2022	Q4 2023	Q4 2022
Net profit for the period	500 263	647 819	78 439	81 786
Items that may be reclassified subsequently to the income statement				
Cash flow hedges:				
Valuation gains/losses	148	7 019	-3 069	-5 013
Tax on valuation gains/losses	-37	-1 755	767	1 253
Items that may not be reclassified subsequently to the income statement				
Defined benefit plans:				
Remeasurement of defined benefit plans	-1 945	1 504	-4 075	-12 330
Tax on remeasurement of defined benefit plans	486	-376	1 019	3 082
Other comprehensive income, net of tax	-1 347	6 393	-5 358	-13 007
Total comprehensive income	498 916	654 212	73 081	68 779
Attributable to:				
Shareholders of Nordea Eiendoms kreditt AS	498 916	654 212	73 081	68 779
Total	498 916	654 212	73 081	68 779

Balance sheet

NOKt	Note	31 Dec 2023	31 Dec 2022
Assets			
Loans to credit institutions		2 462 506	731 472
Loans to the public	5, 9	334 307 675	323 251 987
Interest-bearing securities	8	10 585 566	5 435 886
Derivatives	8	183 957	423 732
Fair value changes of the hedged items in portfolio hedges of interest rate risk		-42 670	-55 554
Property and Equipment owned and RoU		681	77
Retirement benefit assets		0	0
Other assets		-186	-33
Accrued income and prepaid expenses		49 380	19 524
Total assets	6, 7	347 546 908	329 807 091
Liabilities			
Deposits by credit institutions		125 845 296	155 913 879
Debt securities in issue	9	197 449 415	149 352 274
Derivatives	8	665 463	761 036
Current tax liabilities		53 530	209 296
Other liabilities		15 149	20 845
Accrued expenses and prepaid income		228 641	226 015
Deferred tax liabilities		247 210	133 515
Provisions		4 818	8 211
Retirement benefit obligations		27 417	24 682
Subordinated loan capital		1 104 751	1 103 819
Total liabilities	6, 7	325 641 690	307 753 572
Equity			
Share capital		1 879 565	1 879 565
Share premium		9 874 082	9 874 082
Other reserves		-23 040	-21 693
Retained earnings		9 674 348	9 673 746
Net profit for the period		500 263	647 819
Total equity		21 905 218	22 053 520
Total liabilities and equity		347 546 908	329 807 091
Assets pledged as security for own liabilities		313 603 507	245 131 742
Commitments		35 072 002	31 618 092

Nordea Eiendoms kreditt AS

Oslo, 13 February 2024

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
Chief Executive Officer

Statements of changes in equity

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					500 263	500 263
Items that may be reclassified subsequently to the income statement						
Cash flow hedges:			148			148
Valuation gains/losses			-37			-37
Tax on valuation gains/losses						
Items that may not be reclassified subsequently to the income statement						
Defined benefit plans:						
Remeasurement of defined benefit plans				-1 945		-1 945
Tax on remeasurement of defined benefit plans				486		486
Other comprehensive income, net of tax	0	0	111	-1 459	0	-1 347
Total comprehensive income	0	0	111	-1 459	500 263	498 916
Contribution and distribution						
Share Based Payments					602	602
Dividend paid					-647 819	-647 819
Balance at 31 December 2023	1 879 565	9 874 082	-9 570	-13 470	10 174 613	21 905 218

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					647 819	647 819
Items that may be reclassified subsequently to the income statement						
Cash flow hedges:			7 019			7 019
Valuation gains/losses			-1 755			-1 755
Tax on valuation gains/losses						
Items that may not be reclassified subsequently to the income statement						
Defined benefit plans:						
Remeasurement of defined benefit plans				1 504		1 504
Tax on remeasurement of defined benefit plans				-376		-376
Other comprehensive income, net of tax	0	0	5 265	1 128	0	6 393
Total comprehensive income	0	0	5 265	1 128	647 819	654 212
Contribution and distribution						
Share Based Payments					247	247
Dividend paid					-726 000	-726 000
Change of share capital	-59 097	59 097				0
Balance at 31 December 2022	1 879 565	9 874 082	-9 681	-12 012	10 321 567	22 053 520

¹ The company's share capital at 31 December 2023 was NOKt 1 879,565,-. The number of shares was 16 781 828, each with a quota value of NOK 12. All shares are owned by Nordea Bank AB (publ).

The equity in Nordea Eiendomskreditt increased by NOK 2 143m, as a result of the merger with Nordea Direct Boligkreditt AS on 1 November 2022. The share capital was increased by NOK 162m, and replaced the share capital in Nordea Direct Boligkreditt AS of NOK 221m. The share premium increased by NOK 1 058m including NOK 59m reclassified from share capital. Retained earnings increased by NOK 923m as a result of the merger.

Cash Flow statement

NOKt	Jan-Dec 2023	Jan-Dec 2022
Operating activities		
Operating profit before tax	667 940	862 841
Adjustments for items not included in cash flow	46 496	97 727
Income taxes paid	-209 299	-261 312
Cash flow from operating activities before changes in operating assets and liabilities	505 137	699 256
Changes in operating assets		
Change in loans to credit inst, non-liq.	-504 116	0
Change in loans to the public	-11 105 577	-17 664 399
Change in interest-bearing securities	-5 149 679	-41 346
Change in derivatives, net	144 201	949 386
Change in other assets	-43 190	46 176
Changes in operating liabilities		
Change in deposits by credit institutions	-30 068 583	-25 462 473
Change in debt securities in issue	48 097 140	42 227 149
Change in other liabilities	-2 130	-32 454
Cash flow from operating activities	1 873 203	721 295
Financing activities		
Change of accrued interest on subordinated loan capital	932	1 993
Dividend paid	-647 819	-726 000
Share Based Payment Programme (EIP)	602	274
Cash flow from financing activities	-646 285	-723 733
Cash flow for the period	1 226 918	-2 438
Cash and cash equivalents		
NOKt	31 Dec 2023	31 Dec 2022
Cash and cash equivalents at beginning of the period (Loans to credit institutions)	731 472	733 910
Cash and cash equivalents at end of the period (Loans to credit institutions)	1 958 390	731 472
Change	1 226 918	-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-Dec 2023	Jan-Dec 2022
Interest payments received	15 499 255	8 157 307
Interest expenses paid	-13 206 032	-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 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 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-Dec	Jan-Dec
GBP 1 = NOK	2023	2022
Income statement (average)	13,1381	11,8465
Balance sheet (at end of period)	12,8977	11,8848
EUR 1 = NOK		
Income statement (average)	11,4238	10,1023
Balance sheet (at end of period)	11,2120	10,5180

Note 2 Net interest income

NOKt	Jan-Dec	Jan-Dec	Q4	Q4
	2023	2022	2023	2022
Interest income calculated using the effective interest rate method	15 553 396	8 458 243	4 485 063	2 945 212
Other interest income	358 198	98 957	131 235	41 288
Interest expense	13 975 092	6 238 603	4 266 526	2 539 900
Net interest income	1 936 502	2 318 597	349 772	446 600
Interest income calculated using the effective interest rate method				
Loans to credit institutions	63 536	44 839	22 526	26 129
Loans to customers	15 411 921	8 338 649	4 443 341	2 899 316
Yield fees	50 584	69 467	10 772	15 019
Net interest paid or received on derivatives in accounting hedges of assets	27 355	5 288	8 424	4 747
Interest income	15 553 396	8 458 243	4 485 063	2 945 212
Other interest income				
Interest-bearing securities measured at fair value	358 198	98 957	131 235	41 288
Other interest income¹	358 198	98 957	131 235	41 288
Interest expense				
Deposits by credit institutions	6 404 791	3 425 269	1 876 606	1 345 981
Debt securities in issue	7 112 913	2 611 354	2 238 982	1 088 065
Subordinated loan capital	61 631	36 518	17 669	12 623
Other interest expenses	129 843	156 613	25 071	62 243
Net interest paid or received on derivatives in hedges of liabilities	265 913	8 849	108 198	30 988
Interest expense	13 975 092	6 238 603	4 266 526	2 539 900

Interest from categories of financial instruments

NOKt	Jan-Dec	Jan-Dec	Q4	Q4
	2023	2022	2023	2022
Financial assets at amortised cost	15 526 041	8 454 945	4 476 639	2 940 702
Financial assets at fair value through profit and loss (including hedging instruments) ¹	385 553	102 256	139 660	45 797
Financial liabilities at amortised cost	-13 709 179	-6 229 755	-4 158 328	-2 508 912
Financial liabilities at fair value through profit or loss (related to hedging instruments) ¹	-265 913	-8 849	-108 198	-30 988
Net interest income	1 936 502	2 318 597	349 772	446 600

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

Note 3 Net result from items at fair value

Net gains/losses for categories of financial instruments

NOKt	Jan-Dec 2023	Jan-Dec 2022	Q4 2023	Q4 2022
Financial assets and liabilities mandatorily at fair value through profit or loss	84 642	-866 788	960 857	181 463
Financial assets at amortised cost	-6 274	-65 688	15 594	-2 131
Financial liabilities at amortised cost	-155 529	920 915	-1 006 286	-197 243
Foreign exchange gains/losses excluding currency hedges	103	483	-153	436
Total	-77 058	-11 078	-29 988	-17 475

Note 4 Loan losses

Net loan losses

NOKt	Jan-Dec 2023	Jan-Dec 2022	Q4 2023	Q4 2022
Net loan losses, Stage 1	-3 974	16 112	-10 799	4 132
Net loan losses, Stage 2	3 409	62 172	3 522	23 501
Total loan losses, non-defaulted	-565	78 284	-7 277	27 632

Stage 3, defaulted

Net loan losses, individually assessed, collectively calculated	49 525	19 946	23 303	23 869
Realised loan losses	3 007	15 709	-53	11 030
Recoveries on previous realised loan losses	-2 549	-7 122	-2 538	-7 122
Reversals of provisions	-2 280	-442	0	-196
Net loan losses, defaulted	47 703	28 091	20 712	27 581

Net loan losses	47 138	106 375	13 435	55 213
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Key ratios¹

	Jan-Dec 2023	Jan-Dec 2022	Q4 2023	Q4 2022
Loan loss ratio, basis points	1,42	3,37	1,61	6,84
- of which stage 1	-0,11	0,51	-1,27	0,51
- of which stage 2	0,10	1,97	0,42	2,91
- of which stage 3	1,44	0,89	2,48	3,42

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

Note 5 Loans and impairment

Loans and impairment

NOKt	31 Dec 2023	31 Dec 2022
Loans measured at amortised cost, not impaired (Stage 1 and 2)	333 635 547	322 953 240
Impaired loans (Stage 3)	1 032 728	609 274
- of which servicing	381 706	206 772
- of which non-servicing	651 022	402 502
Loans before allowances	334 668 275	323 562 514
Allowances for individually assessed impaired loans (Stage 3)	-1 62 454	-115 213
- of which servicing	-47 565	-36 088
- of which non-servicing	-114 889	-79 124
Allowances for collectively assessed impaired loans (Stage 1 and 2)	-198 147	-195 315
Allowances	-360 601	-310 527
Loans, carrying amount	334 307 675	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	-32 678	-47 828	-15 608	-96 113
Changes due to transfers from Stage 1 to Stage 2	3 525	-59 387	0	-55 862
Changes due to transfers from Stage 1 to Stage 3	116	0	-35 870	-35 754
Changes due to transfers from Stage 2 to Stage 1	-1 065	55 581	0	54 516
Changes due to transfers from Stage 2 to Stage 3	0	4 302	-26 803	-22 502
Changes due to transfers from Stage 3 to Stage 1	-30	0	9 150	9 121
Changes due to transfers from Stage 3 to Stage 2	0	-1 157	16 879	15 722
Changes due to changes in credit risk without stage transfer	20 729	-575	-36 592	-16 439
Changes due to repayments and disposals	12 454	43 182	41 602	97 238
Balance at 31 Dec 2023	-46 995	-151 151	-162 454	-360 601

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	-28 894	-36 748	-4 466	-70 108
Changes due to transfers from Stage 1 to Stage 2	1 764	-67 368	0	-65 604
Changes due to transfers from Stage 1 to Stage 3	50	0	-20 469	-20 419
Changes due to transfers from Stage 2 to Stage 1	-1 126	34 266	0	33 140
Changes due to transfers from Stage 2 to Stage 3	0	1 335	-11 285	-9 949
Changes due to transfers from Stage 3 to Stage 1	-98	0	5 796	5 698
Changes due to transfers from Stage 3 to Stage 2	0	-703	4 400	3 697
Changes due to changes in credit risk without stage transfer	6 362	-15 371	-32 961	-41 970
Changes due to repayments and disposals	10 117	27 383	41 529	79 029
Other changes	-2 719	-1 049	-2 055	-5 822
Balance at 31 Dec 2022	-50 045	-145 269	-115 213	-310 527

Key ratios

	31 Dec 2023	31 Dec 2022
Impairment rate, (stage 3) gross, basis points ¹	30,9	18,8
Impairment rate (stage 3), net, basis points ²	26,0	15,3
Total allowance rate (stage 1, 2 and 3), basis points ³	10,8	9,6
Allowances in relation to credit impaired loans (stage 3), % ⁴	15,7	18,9
Allowances in relation to loans in stage 1 and 2, basis points ⁵	5,9	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 fourth 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 third 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 conflict in the Middle East and the war in Ukraine. They take into consideration the possibility of continued high inflation, reinforced by a renewed surge in energy prices, and the potential impact of high interest rates on financial markets and 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 foresees soft landings in the Nordic economies 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 2024 remains moderate in Denmark and Norway, GDP stagnates in Finland and Sweden. Core inflation is expected to remain elevated. House prices have stabilised after the downward adjustment in 2023. In 2024 prices are expected to rise slowly before picking up further in 2025 and 2026. 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. Persistent and high inflation, reinforced by higher energy prices, may lead central banks to adopt a higher-for-longer strategy, triggering a deep recession due to falling private consumption and investment. In addition, house prices may see an even larger decline due to high interest rates, a squeeze in household purchasing power and weak confidence. Normalising inflation, on the other hand, may support growth in 2024 and onwards.

At the end of the fourth quarter of 2023 adjustments to model-based allowances/provisions (management judgements) amounted to NOK 92m (NOK 101m at the end of the third 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 88m at the end of the fourth quarter of 2023 (NOK 97m at the end of the third 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 4m (NOK 4m at the end of the third quarter of 2023).

Scenarios	2024	2025	2026	Probability weight
Favourable scenario				10 %
GDP growth, %	2.4	1.1	0.8	
Unemployment, %	3.1	3.2	3.4	
Change in household consumption, %	1.9	2.4	2.7	
Change in house prices, %	1.2	2.9	3.4	
Baseline scenario				50 %
GDP growth, %	0.4	1.0	1.1	
Unemployment, %	3.6	3.8	3.8	
Change in household consumption, %	0.1	1.9	2.5	
Change in house prices, %	0.8	2.2	2.8	
Adverse scenario				40 %
GDP growth, %	-1.7	0.2	0.4	
Unemployment, %	4.4	4.8	4.9	
Change in household consumption, %	-1.2	0.8	1.2	
Change in house prices, %	-6.7	-1.5	2.0	

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.

31 December 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	2 462 506				2 462 506
Loans to the public	334 307 675				334 307 675
Interest-bearing securities		10 585 566			10 585 566
Derivatives			183 957		183 957
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-42 670				-42 670
Property and Equipment owned and RoU				681	681
Other assets				-186	-186
Accrued income and prepaid expenses	48 127			1 253	49 380
Total assets	336 775 638	10 585 566	183 957	1 748	347 546 908

31 December 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	125 845 296				125 845 296
Debt securities in issue	197 449 415				197 449 415
Derivatives		146 593	518 870		665 463
Current tax liabilities				53 530	53 530
Other liabilities	3 518			11 631	15 149
Accrued expenses and prepaid income	11 145			217 496	228 641
Deferred tax liabilities				247 210	247 210
Provisions				4 818	4 818
Retirement benefit obligations				27 417	27 417
Subordinated loan capital	1 104 751				1 104 751
Total liabilities	324 414 125	146 593	518 870	562 102	325 641 690

Note 7 Fair value of financial assets and liabilities

NOKt	31 Dec 2023		31 Dec 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	336 727 511	337 499 000	323 927 906	328 228 331
Interest-bearing securities	10 585 566	10 585 566	5 435 886	5 435 886
Derivatives	183 957	183 957	423 732	423 732
Accrued income and prepaid expenses	48 127	48 127	18 148	18 148
Total financial assets	347 545 159	348 316 649	329 805 671	334 106 097
Financial liabilities				
Deposits and debt instruments	324 399 462	324 500 812	306 369 973	306 385 298
Derivatives	665 463	665 463	761 036	761 036
Other financial liabilities	3 518	3 518	3 597	3 597
Accrued expenses and prepaid income	11 145	11 145	3 883	3 883
Total financial liabilities	325 079 589	325 180 938	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

31 December 2023, NOKt	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Financial assets ¹				
Interest-bearing securities		10 158 609	426 957	10 585 566
Derivatives		203 185	-19 228	183 957
Total assets	0	10 361 794	407 729	10 769 523
Financial liabilities ¹				
Derivatives		665 463	0	665 463
Total liabilities	0	665 463	0	665 463

31 December 2022, NOKt	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Financial assets ¹				
Interest-bearing securities		5 435 886		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 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

31 December 2023, NOKt	1 January 2023	Unrealised fair value gains/losses recorded in income statement	Purchases	Transfers out of level 3	31 December 2023
Interest-bearing securities			426 957		426 957
Derivatives (net)	-58 310	-5 521		44 603	-19 228
Total, net	-58 310	-5 521	426 957	44 603	407 729

In 2023 one derivative contract has been transferred from level 3 to level 2, while one derivative contract is still valued according to level 3. One interest-bearing security purchased in 2023 is valued according level 3. Valuation according to level 3 is due to observable market data not being available. 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

31 December 2023, NOKt	Fair value	Valuation techniques	Unobservable input
Interest-bearing securities			
Other credit institutions	426 957	Option model	Correlation, volatilities
Total	426 957		
Derivatives, net			
Interest rate derivatives	-19 228	Option model	Correlation, volatilities
Total	-19 228		

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 Accounting Policies, section regarding "Determination of fair value of financial instruments" in the 2022 Annual Report.

Note 9 Cover Pool

NOKt	31 Dec 2023		31 Dec 2022	
	Nominal value	Net present value	Nominal value	Net present value
Loans to the public	333 867 921	333 695 176	323 064 144	322 450 476
- w hereof pool of eligible loans	313 352 624	313 190 494	244 935 636	244 470 375
Supplementary assets and derivatives:	183 200	-266 132	409 225	-84 792
- w hereof CIRS	183 200	45 739	409 225	180 556
- w hereof IRS	0	-311 870	0	-265 348
Total cover pool	313 535 824	312 924 362	245 344 861	244 385 583
Debt securities in issue (net outstanding amount)	195 948 200	196 799 615	148 332 225	148 427 632
Over-collateralization calculated on net outstanding covered bonds	60,0 %	59,0 %	65,4 %	64,6 %
Debt securities in issue (issued amount)	195 948 200	196 799 615	148 332 225	148 427 632
Over-collateralization calculated on issued covered bonds (gross outstanding covered bonds) ¹	60,0 %	59,0 %	65,4 %	64,6 %

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

The cover pool increase during 2023 is due to both lending growth and implementation of a dynamic cover pool allocation logic that allows loans with LTV above the 80% limit (60% for holiday homes) to be included in the cover pool with the portion up to the LTV limit.

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	31 Dec 2023			31 Dec 2022		
	Nominal value	Other ¹	Carrying amount	Nominal value	Other ¹	Carrying amount
Covered bonds issued in Norwegian kroner	194 827 000			143 715 000		
Holdings of own covered bonds in Norwegian kroner	0			0		
Outstanding covered bonds issued in Norwegian kroner	194 827 000			143 715 000		
Covered bonds issued in GBP (in NOK)	0			3 565 425		
Covered bonds issued in EUR (in NOK)	1 121 200			1 051 800		
Total outstanding covered bonds	195 948 200	1 501 215	197 449 415	148 332 225	1 020 049	149 352 274
Loans and deposits from financial institutions for a fixed term	124 930 000	915 296	125 845 296	155 312 021	601 858	155 913 879
Subordinated loan	1 100 000	4 751	1 104 751	1 100 000	3 819	1 103 819
Total	321 978 200	2 421 262	324 399 462	304 744 246	1 625 727	306 369 973

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

Maturity information

Maximum 1 year	60 987 000	65 238 796
More than 1 year	260 991 200	239 505 450
Total	321 978 200	304 744 246

Norwegian covered bonds (NOKt) at 31 December 2023

ISIN code	Issue date	Final payment date	Interest	Interest rate in %	Currency	Outstanding nominal amount
NO0013072991	22-11-2023	22-11-2028	Float	3M Nibor + 0.54%	NOK	7 000 000
NO0012982729	10-08-2023	10-08-2032	Fixed	4.61	NOK	1 000 000
NO0012959636	14-07-2023	14-07-2025	Float	3M Nibor + 0.28%	NOK	1 000 000
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	19 800 000
NO0012732017	28-10-2022	28-10-2037	Fixed	4.0	NOK	1 420 000
NO0012720988	12-10-2022	12-10-2029	Fixed	4.0	NOK	6 350 000
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	27 400 000
NO0010893282	16-09-2020	16-09-2025	Float	3M Nibor + 1.50%	NOK	25 000 000
NO0010873334	22-01-2020	19-03-2025	Float	3M Nibor + 0.26%	NOK	30 000 000
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	32 387 000
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						194 827 000

Covered bonds issued in foreign currency at 31 December 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)						1 121 200

Note 11 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	31 Dec ¹ 2023	31 Dec ² 2022
Equity	21 405	22 054
Proposed/actual dividend		-648
Common Equity Tier 1 capital before regulatory adjustments	21 405	21 406
Deferred tax assets		
Intangible assets		
IRB provisions shortfall (-)	-114	-79
Pension assets in excess of related liabilities		
Other items, net	2	-9
Total regulatory adjustments to Common Equity Tier 1 capital	-113	-88
Common Equity Tier 1 capital (net after deduction)	21 293	21 317
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)	21 293	21 317
Tier 2 capital before regulatory adjustments	1 100	1 100
IRB provisions excess (+)	162	113
Deductions for investments in insurance companies		
Other items, net		
Total regulatory adjustments to Tier 2 capital	162	113
Tier 2 capital	1 262	1 213
Own funds (net after deduction)¹	22 555	22 530

¹ Excluding profit of the period

² Including profit of the period

Own Funds, including profit

NOKm	31 Dec 2023	31 Dec 2022
Common Equity Tier 1 capital, including profit	21 285	21 317
Total Own Funds, including profit	22 548	22 530
Assumed 100% dividend		

Note 11 Capital adequacy cont.

Minimum capital requirement and REA, Risk Exposure Amount

NOKm	31 Dec	31 Dec	31 Dec	31 Dec
	2023	2023	2022	2022
	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	6 276	78 450	6 111	76 377
- of which counterparty credit risk	9	111	10	124
IRB	5 733	71 661	5 360	66 995
- institutions	25	308	17	214
- retail	5 708	71 351	5 343	66 780
- secured by immovable property collateral	4 946	61 830	4 691	58 634
- other retail	762	9 521	652	8 146
- other		2	0	1
Standardised	543	6 789	751	9 382
- institutions	49	613	21	260
- retail			1	16
- secured by mortgages on immovable properties	493	6 168	726	9 069
- in default	1	8	3	37
- covered bonds				
- other items				
Credit Valuation Adjustment Risk				
Operational risk	283	3 537	302	3 784
Standardised	283	3 537	302	3 784
OpR Basic indicator approach (BIA)				
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR				
Total	6 559	81 987	6 413	80 161

Capital ratios

Percentage	31 Dec ¹	31 Dec ²
	2023	2022
Common Equity Tier 1 capital ratio	26,0	26,6
Tier 1 capital ratio	26,0	26,6
Total capital ratio	27,5	28,1

¹ Excluding profit of the period

² Including profit of the period

Leverage ratio

	31 Dec ¹	31 Dec ²
	2023	2022
Tier 1 capital, transitional definition, NOKm	21 293	21 317
Leverage ratio exposure, NOKm	364 889	344 994
Leverage ratio, percentage	5,8	6,2

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 third fourth quarter 2023 the over-collateralization (OC) was 60.0%, 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. Only counterparties to derivative contracts are Nordea Group internal. The volume of interest rate swaps was NOK 44bn (NOK 53bn) and currency swaps NOK 1bn (NOK 4bn) at the end of the fourth quarter 2023. Nordea Bank Abp, filial i Norge provides unsecured funding to Nordea Eiendoms kreditt, and at the end of the fourth quarter 2023 such borrowings amounted to NOK 126bn including accrued interests.

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

Eiendoms kreditt of NOK 36.6bn at the end of the fourth 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 1 104m in 2023 (NOK 1 282m). 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 27m in 2023 (NOK 34m).

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

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