Nordea

Interim Report 2nd quarter 2017

Nordea Eiendomskreditt AS

Nordea Eiendomskreditt AS is part of the Nordea group. Nordea is among the ten largest universal banks in Europe in terms of total market capitalisation and has around 11 million customers, 31,500 employees and approximately 600 branch office locations. The Nordea share is listed on the Nasdaq Stockholm, Nasdaq Helsinki and Nasdaq Copenhagen exchanges. We have a broad expertise across the wide range of products, services and solutions that we provide within banking, asset management and insurance. At Nordea we build trusted relationships through our strong engagement with both customers and society.

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Key financial figures

Summary of income statement (NOKm)

	Jan-Jun 2017	Jan-Jun 2016	Year 2016
Net interest income	**762**	**646**	**1 247**
Net result from items at fair value	-23	-5	-16
Other operating income	29	23	49
Total operating income	**767**	**664**	**1 280**
Staff costs	8	1	-0
Other expenses	198	231	462
Total operating expenses	**206**	**232**	**462**
Loan losses (negative figures are reversals)	8	4	1
Operating profit	**553**	**428**	**817**
Income tax expense	141	107	204
Net profit for the period	**413**	**321**	**613**

Summary of balance sheet (NOKm)

	30 Jun 2017	30 Jun 2016	31 Dec 2016
Loans to the public	133 633	119 335	105 939
Other assets	7 619	7 774	7 673
Debt securities in issue	80 899	94 453	84 252
Other liabilities	47 667	22 901	17 083
Equity	12 686	9 755	12 278
Total assets	**141 252**	**127 109**	**113 613**
Average total assets	129 407	119 702	119 682

Ratios and key figures

	30 Jun 2017	30 Jun 2016	31 Dec 2016
Basic/diluted Earnings per share (EPS), annualised basis, NOK	53.8	42.0	39.9
Equity per share[1], NOK	827.2	636.1	800.6
Shares outstanding[1], million	15.3	15.3	15.3
Post-tax return on average equity	6.6 %	6.2 %	6.0 %
Cost/income ratio	26.9 %	34.9 %	36.1 %
Loan loss ratio, annualised, basis points, average loan balance	1.3%	0.7	0.1
Common Equity Tier 1 capital ratio, excl, Basel I floor[1,2]	73.0 %	55.8 %	85.8 %
Tier 1 capital ratio, excl, Basel I floor[1,2]	73.0 %	55.8 %	85.8 %
Total capital ratio, excl, Basel I floor[1,2]	80.3 %	60.6 %	94.4 %
Common Equity Tier 1 capital ratio, incl, Basel I floor[1,2]	20.7 %	17.5 %	25.7 %
Tier 1 capital ratio, incl, Basel I floor[1,2]	20.7 %	17.5 %	25.7 %
Total capital ratio, incl, Basel I floor[1,2]	22.8 %	19.0 %	28.3 %
Own funds, NOKm[1,2]	13 467	10 156	13 486
Risk Exposure Amount incl, Basel I floor[1], NOKm	59 026	53 544	47 707
Number of employees (full-time equivalents)[1]	15.0	1.7	1.7

[1] At the end of the period.

[2] Excluding the year to date profit for interim figures.

Nordea Eiendomskreditt AS

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

Nordea Eiendomskreditt's business objective is to acquire long term Norwegian residential mortgage loans and loans to holiday houses from the parent bank, and to fund its lending activities primarily via issuance of covered bonds (bonds with a priority right of recourse to the company's collateral for its lending). Nordea Eiendomskreditt AS is a wholly owned subsidiary of Nordea Bank AB (publ).

Income statement

Profit from ordinary activities after loan losses but before tax for the first six months of 2017 was NOK 553 million (NOK 428 million). The profit reported is equivalent to a post-tax return on average equity of 6.6% (6.2%) on an annualised basis.

Net interest income for the six months ending 30 June 2017 showed an increase of 18% compared to the same period last year, and amounted to NOK 762 million (NOK 646 million). The loan portfolio increased significantly in the second quarter, giving a higher volume of loans in the first half year of 2017 compared to 2016. This is the main reason for the increase in net interest income, however also the return on the liquidity portfolio has been higher than the previous year.

Total operating expenses for the first six months amounted to NOK 206 million (NOK 232 million). NOK 8 million of operating expenses is staff related (NOK 1 million) and the increase from last year is due to increased staffing. Other operating expenses are mainly related to management of the lending portfolio and customer contact, as well as funding and risk control.

Loan losses and provisions recognised in the accounts for the first six months amounted to NOK 8 million (NOK 4 million). Allocations for individually assessed loans have decreased by NOK 1 million since year end, while allowances for collectively assessed loans have increased by NOK 5 million. Realised loan losses in the period were NOK 4 million.

Total assets amounted to NOK 141 252 million as of 30 June 2017 (NOK 127 109 million).

Capital position and risk exposure amount

Nordea Eiendomskreditt's Common Equity Tier 1 capital ratio excluding Basel I floor was 73.0% excluding profit at the end of the second quarter, a decrease of 14.5 percentage points from the end of the previous quarter. This was primarily due to increased volumes in REA, stemming from a transfer of mortgage loans from the Norwegian branch of Nordea Bank AB. The Total Capital ratio excluding Basel I floor decreased 15.9 percentage points to 80.3% excluding profit.

Risk Exposure Amount (REA) was NOK 16 763 million excluding Basel I rules, an increase of NOK 2 754 million, compared to the previous quarter. The main driver for the increase in REA was increased volumes in the retail portfolio which was related to the loan transfer from Nordea Bank AB mentioned above.

The Common Equity Tier 1 ratio including Basel I rules was 20.7% excluding profit at the end of the second quarter and the Own Funds was NOK 13 467 million. The Tier 1 capital and the Common Equity Tier 1 capital was NOK 12 242 million (no additional Tier 1 capital).

Regulation

The leverage ratio requirement was implemented from 30 June 2017, and the 3.0% leverage ratio requirement for credit institutions has no effect on Nordea Eiendomskreditt since the current ratio is at 8.3%.

Funding

Nordea Eiendomskreditt'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 Eiendomskreditt consists entirely of Norwegian residential mortgage loans and loans to holiday houses in Norway.

During the first six months of 2017 Nordea Eiendomskreditt issued covered bonds amounting to NOK 3.1 billion in the Norwegian domestic market under its NOK 100bn domestic covered bond programme. As of 30 June 2017, Nordea Eiendomskreditt had outstanding covered bonds totalling NOK 67.6 billion in the Norwegian market, GBP 1.1 billion in the British market and EUR 0.1 billion in the European market. Nordea Eiendomskreditt also had subordinated debt outstanding to the amount of NOK 1.2 billion.

The EUR 10bn EMTN covered bond programme established in June 2013 will primarily target covered bond issuance in USD RegS, CHF and GBP, complementing issuance under the domestic programme.

In addition to the long term funding, Nordea Eiendomskreditt also raised short term unsecured funding from the parent bank. At the end of the second quarter of 2017 such borrowings amounted to NOK 43.7 billion.

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

Lending
The gross book value of loans outstanding amounted to NOK 133.7 billion as of 30 June 2017 (NOK 119.4 billion), and consists entirely of residential mortgage loans and loans to holiday houses, that are bought from and managed by Nordea Bank AB (publ), filial i Norge. NOK 126.0 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 54.0% in relation to covered bonds issued.

Interest rate and currency hedging
The company uses interest rate and currency swaps to hedge interest rate and currency risk. At the close of the second quarter of 2017, the company was party to interest rate swaps with nominal value of NOK 62.6 billion. In accordance with IFRS, fair value changes of interest rate swaps and the corresponding hedged items (fixed-rate lending and fixed-rate issued bonds) due to changes in market rates, are recognised in the profit and loss accounts.

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

Impaired loans
As of 30 June 2017 impaired loans amounted to NOK 416.2 million which corresponds to 0.31% of the total lending portfolio. Individual allowances of NOK 26.8 million have been made, and net impaired loans were NOK 389.4 million at 30 June 2017 compared to NOK 400 million at 30 June 2016.

Nordea Eiendomskreditt AS
Oslo, 20 July 2017

John Arne Sætre Chairman	Nicklas Ilebrand Vice Chairman	Ola Littorin Board member
Marte Kopperstad Board member	Eva I. E. Jarbekk Board member	Alex Madsen Board member

Børre Sten Gundersen
Chief Executive Officer

Income statement

NOKt	Note	Jan-Jun 2017	Jan-Jun 2016	Q2 2017	Q2 2016	Year 2016
Operating income						
Interest income on loans and deposits with financial institutions		2 930	1 269	2 584	405	3 677
Interest and related income on loans to customers		1 532 807	1 429 543	857 704	728 154	2 849 870
Interest and related income on debt securities		25 396	4 597	12 123	2 701	14 191
Other interest and related income		124	211	82	183	1
Total interest and related income		**1 561 257**	**1 435 620**	**872 492**	**731 443**	**2 867 738**
Interest expense on liabilities to financial institutions		136 028	65 868	105 799	32 843	134 487
Interest and related expense on securities issued		756 825	890 169	365 278	450 827	1 767 267
Interest expense on subordinated loan capital		17 883	18 450	8 609	9 134	43 051
Other interest and related expense[1]		-111 131	-184 935	-52 821	-96 865	-323 758
Total interest and related expense		**799 606**	**789 552**	**426 866**	**395 939**	**1 621 048**
Net interest income		**761 651**	**646 068**	**445 628**	**335 504**	**1 246 690**
Fee and commission income		30 039	24 974	16 458	12 761	52 404
Fee and commission expense		1 473	2 083	729	1 154	3 510
Net fee and commission income		**28 565**	**22 891**	**15 729**	**11 607**	**48 894**
Net result from items at fair value	3	**-23 133**	**-4 992**	**5 073**	**19 203**	**-16 116**
Total operating income		**767 084**	**663 967**	**466 430**	**366 314**	**1 279 468**
Staff costs		8 004	1 116	3 232	502	-60
Other operating expenses		198 238	230 711	110 136	117 100	462 123
Total operating expenses		**206 243**	**231 827**	**113 370**	**117 602**	**462 063**
Profit before loan losses		**560 841**	**432 140**	**353 060**	**248 713**	**817 405**
Loan losses	4	7 632	3 644	7 279	1 407	544
Operating profit		**553 209**	**428 496**	**345 780**	**247 306**	**816 860**
Income tax expense		140 698	107 129	88 841	61 831	204 226
Net profit for the period		**412 511**	**321 367**	**256 939**	**185 475**	**612 635**
Attributable to:						
Shareholder of Nordea Eiendomskreditt AS		412 511	321 367	256 939	185 475	612 635
Total		**412 511**	**321 367**	**256 939**	**185 475**	**612 635**
Basic/diluted earnings per share, NOK		26.9	20.9	16.7	12.0	39.9

[1] Includes net interest income from derivatives, measured at fair value and related to Nordea Eiendomskreditt's funding. This can have both a positive and negative impact on other interest expense. For further information see Note 1 Accounting policies in the Annual Report 2016.

Statement of comprehensive income

NOKt	Jan-Jun 2017	Jan-Jun 2016	Q2 2017	Q2 2016	Year 2016
Net profit for the period	**412 511**	**321 367**	**256 939**	**185 475**	**612 635**
Items that may be reclassified subsequently to the income statement					
Cash flow hedges:					
Valuation gains/losses during the period	-5 001	-51 262	6 191	-13 354	-139 132
Tax on valuation gains/losses during the period	1 250	12 816	-1 548	3 339	34 783
Items that may not be reclassified subsequently to the income statement					
Defined benefit plans:					
Remeasurement of defined benefit plans	-287	-1 339	-280	-143	-4 721
Tax on remeasurement of defined benefit plans	72	335	70	36	1 180
Other comprehensive income, net of tax	**-3 966**	**-39 451**	**4 433**	**-10 123**	**-107 889**
Total comprehensive income	**408 545**	**281 916**	**261 372**	**175 351**	**504 745**
Attributable to:					
Shareholders of Nordea Eiendomskreditt AS	408 545	281 916	261 372	175 351	504 745
Total	**408 545**	**281 916**	**261 372**	**175 351**	**504 745**

Balance sheet

NOKt	Note	30 Jun 2017	30 Jun 2016	31 Dec 2016
Assets				
Loans to credit institutions		313 522	298 901	155 900
Loans to the public	4	133 632 741	119 335 033	105 939 338
Interest-bearing securities		5 790 024	2 246 255	5 757 776
Derivatives	6	1 345 608	5 052 336	1 613 137
Fair value changes of the hedged items in portfolio hedge of interest rate risk		29 384	51 557	29 036
Other assets		999	-3	154
Accrued income and prepaid expenses		139 450	124 621	117 385
Total assets	5	**141 251 727**	**127 108 699**	**113 612 726**
Liabilities				
Deposits by credit institutions		43 697 100	18 960 532	12 752 409
Debt securities in issue		80 898 760	94 453 273	84 251 822
Derivatives	6	1 577 585	1 271 313	1 794 382
Fair value changes of the hedged items in portfolio hedge of interest rate risk		944 027	1 670 057	1 047 646
Current tax liabilities		140 840	106 943	193 892
Other liabilities		3 826	4 087	2 637
Accured expenses and prepaid income		7 052	2 224	1 050
Deferred tax liabilities		81 979	95 786	83 301
Retirement benefit obligations		14 091	6 498	7 540
Subordinated loan capital		1 200 184	783 076	1 200 310
Total liabilities		**128 565 445**	**117 353 790**	**101 334 989**
Equity				
Share capital		1 702 326	1 686 990	1 702 326
Share premium		3 731 301	1 446 637	3 731 301
Other reserves		-66 736	5 669	-62 770
Retained earnings		6 906 880	6 294 246	6 906 880
Net profit for the period		412 511	321 367	
Total equity		**12 686 282**	**9 754 909**	**12 277 737**
Total liabilities and equity		**141 251 727**	**127 108 699**	**113 612 726**
Assets pledged as security for own liabilities		125 967 763	110 766 102	98 523 242
Contingent liabilities		704	869	704
Commitments		15 114 554	14 553 731	13 660 782

Statements of changes in equity

NOKt	Share capital 1)	Share premium	Other reserves: Cash flow hedges	Other reserves: Defined benefit plans	Retained earnings	Total equity
Opening balance at 1 Jan 2017	**1 702 326**	**3 731 301**	**-58 140**	**-4 629**	**6 906 880**	**12 277 737**
Total comprehensive income			-3 751	-215	412 511	408 545
Group contribution paid						0
Group contribution received						0
Closing balance at 30 Jun 2017	**1 702 326**	**3 731 301**	**-61 890**	**-4 845**	**7 319 391**	**12 686 282**

NOKt	Share capital 1)	Share premium	Other reserves: Cash flow hedges	Other reserves: Defined benefit plans	Retained earnings	Total equity
Opening balance at 1 Jan 2016	**1 686 990**	**1 446 637**	**46 209**	**-1 089**	**7 371 910**	**10 550 657**
Total comprehensive income			-104 349	-3 540	612 635	504 745
Group contribution paid					-1 077 665	-1 077 665
Group contribution received						0
Increase of share capital	15 336	2 284 664				2 300 000
Closing balance at 31 Dec 2016	**1 702 326**	**3 731 301**	**-58 140**	**-4 629**	**6 906 880**	**12 277 737**

NOKt	Share capital 1)	Share premium	Other reserves: Cash flow hedges	Other reserves: Defined benefit plans	Retained earnings	Total equity
Opening balance at 1 Jan 2016	**1 686 990**	**1 446 637**	**46 209**	**-1 089**	**7 371 910**	**10 550 657**
Total comprehensive income			-38 447	-1 004	321 367	281 916
Group contribution paid					-1 077 665	-1 077 665
Group contribution received						0
Closing balance at 30 Jun 2016	**1 686 990**	**1 446 637**	**7 762**	**-2 093**	**6 615 613**	**9 754 909**

[1] The company's share capital at 30 June 2017 was NOK 1 702 325 859. The number of shares was 15 336 269, each with a quota value of NOK 111,-. All shares are owned by Nordea Bank AB (publ).

Nordea Eiendomskreditt AS

Oslo, 20 July 2017

John Arne Sætre
Chairman

Nicklas Ilebrand
Vice Chairman

Ola Littorin
Board member

Marte Kopperstad
Board member

Eva I. E. Jarbekk
Board member

Alex Madsen
Board member

Børre Sten Gundersen
Chief Executive Officer

Cash flow statement

NOKt	Jan-Jun 2017	Jan-Jun 2016	Year 2016
Operating activities			
Operating profit before tax	553 209	428 496	816 860
Adjustments for items not included in cash flow	3 800	-559	-6 924
Income taxes paid	-193 750	-181	-0
Cash flow from operating activities before changes in operating assets and liabilities	**363 259**	**427 756**	**809 936**
Changes in operating assets			
Change in loans to the public	-27 697 203	-12 902 258	499 802
Change in interest-bearing securities	-52 430	-746 602	-4 229 237
Change in derivatives, net	50 732	2 780 220	6 742 488
Change in other assets	-3 076	250 343	251 057
Changes in operating liabilities			
Change in other liabilities	-416 906	-324 403	-770 930
Cash flow from operating activities	**-27 755 624**	**-10 514 944**	**3 303 116**
Investing activities			
Purchase/sale of tangible fixed assets	0	0	0
Change in loans and receivables to credit institutions, fixed terms	0	0	0
Change in holdings of bearer bonds issued by others	0	0	0
Cash flow from investing activities	**0**	**0**	**0**
Financing activities			
Change in deposits by credit institutions	30 929 746	-1 067 359	-7 282 227
Receipts on issue of debt securities	3 463 607	19 825 989	26 407 183
Payments on redemption of debt securities	-6 480 108	-6 658 505	-23 705 891
Change in subordinated loan capital	0	0	420 000
Group contribution paid	0	-1 430 000	-1 430 000
Group contribution received	0	0	0
Increase in share capital and share premium	0	0	2 300 000
Cash flow from financing activities	**27 913 245**	**10 670 125**	**-3 290 935**
Cash flow for the year	**157 621**	**155 181**	**12 181**
Cash and cash equivalents at 1 January	155 900	143 720	143 720
Cash and cash equivalents at end of the period	313 521	298 901	155 900
Change	**157 621**	**155 181**	**12 180**

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 and derivatives. Changes in short-term funding and debt securities in issue are reported under Financing activities. 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**.** Also changes in short-term funding and debt securities in issue are reported under Financing activities.

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 for the period 1 January to 30 June 2017 are presented in accordance with IAS 34 "Interim Financial Reporting". In addition, certain complementary rules in the Norwegian Accounting Act with supported regulation have been applied.

The same accounting policies and methods of computations are followed as compared to the Annual Report 2016. For more information see Note 1 Accounting Principles in the Annual Report 2016. No changes have been implemented during 2017.

As a result of rounding adjustments, the figures in one or more columns or rows included in the financial statements may not add up to the total of that column or row.

New IFRS standards not yet implemented

IFRS 9 "Financial Instruments"
IASB has completed the new standard for financial instruments, IFRS 9 "Financial Instruments". IFRS 9 covers classification and measurement, impairment and general hedge accounting and replaces the current requirements covering these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. The standard is endorsed by the EU-commission. Earlier application is permitted, but Nordea Eiendomskreditt does not intend to early adopt the standard, or to restate the comparative figures for 2017 in the annual report 2018 due to IFRS 9.

Classification and measurement
The classification and measurement requirements in IFRS 9 states that financial assets should be classified as and measured at amortised cost, fair value through profit and loss or fair value through other comprehensive income. The classification of a financial instrument is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

In order to assess the business model, Nordea Eiendomskreditt has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, Nordea Eiendomskreditt has taken the current business area structure into account. When determining the business model for each portfolio, Nordea Eiendomskreditt has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

Nordea Eiendomskreditt has analysed whether the cash flows from the financial assets held as of 31 December 2015 are SPPI compliant. This has been performed by grouping contracts which are homogenous from a cash flow perspective and conclusions have been drawn for all contracts within that group.

The analysis of the business model and the SPPI review described above have not resulted in any significant changes compared to how the financial instruments are measured under IAS 39. No significant impact is thus expected on Nordea Eiendomskreditt's financial position, financial performance or equity in the period of initial application. No significant impact on the capital adequacy, large exposures, risk management or alternative performance measures are expected in the period of initial application. These tentative conclusions are naturally dependent on the financial instruments on Nordea Eiendomskreditt's balance sheet at transition.

Impairment
The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. The scope of IFRS 9 impairment requirements is also broader than IAS 39. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as off-balance commitments including guarantees and loan commitments, to be included in the impairment test. Currently Nordea Eiendomskreditt does not calculate collective provisions for off balance sheet exposures or the financial instruments classified into the measurement category available for sale (AFS).

The assets to test for impairment will be divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. Significant assets in stage 3 are tested for impairment on an individual basis, while for insignificant assets a collective assessment is performed. In stage 1, the provisions should equal the 12 month expected loss. In stage 2 and 3, the provisions should equal the lifetime expected losses.

One important driver for size of provisions under IFRS 9 is the trigger for transferring an asset from stage 1 to stage 2. Nordea Eiendomskreditt has yet to decide how much relevant parameters used for identifying the increase in credit risk need to change in order to constitute a "significant increase". For assets held at transition, Nordea Eiendomskreditt has tentatively decided to use the change in internal rating and scoring data to determine whether there has been a significant increase in credit risk or not. For assets to be recognised going forward, changes to the lifetime Probability of Default (PD) will be used as the trigger. Nordea

Eiendomskreditt has concluded it is not possible to calculate the lifetime PDs at origination without undue cost or effort and without the use of hindsight for assets already recognised on the balance sheet at transition. For assets evaluated based on lifetime PDs, Nordea Eiendomskreditt has tentatively decided to use a mix of absolute and relative changes in PD as the transfer criterion. In addition, customers with forbearance measures and customers with payments more than thirty days past due will also be transferred to stage 2. Nordea Eiendomskreditt has not yet determined the threshold for the change in rating, scoring and PDs when assessing whether it is significant or not.

Nordea Eiendomskreditt's current model for calculating collective provisions defines a loss event as a deterioration in rating/scoring, but it is not expected that the loss event in the current model will equal the triggering event for moving items from stage 1 to stage 2 under IFRS 9.

The provisions under IFRS 9 will be calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation will only be based on the coming 12 months, while it for assets in stage 2 will be based on the expected lifetime of the asset.

For assets where there has been a significant increase in credit risk, Nordea Eiendomskreditt currently holds provisions based on the losses estimated to occur during the period between the date when the loss event occurred and the date when the loss event is identified on an individual basis, the so called "Emergence period" while IFRS 9 will require provisions equal to the lifetime expected loss.

When calculating lifetime losses under IFRS 9, including the staging assessment, the calculation should be based on probability weighted forward looking information. Nordea Eiendomskreditt has tentatively decided to apply three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios will be used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario will be recognised as provisions.

It is expected that the new requirements will increase loan loss provisions and decrease equity in the period of initial application. It is not expected to have any material impact on large exposures. The impact on capital adequacy is not possible to determine as it is expected that the European Parliament and the Council will issue new rules for the transition to IFRS 9, but these are not yet final. It is furthermore expected that the long term effects, once the transitional rules become obsolete, will be negative on capital adequacy, as the reduction in equity is expected to reduce CET 1 capital. It is however not expected the full increase in provisions will decrease CET 1 capital as there are mitigating effects, for instance the current shortfall deduction that are expected to be reduced when provisions are calculated under IFRS 9.

Impairment calculations under IFRS 9 will require more experienced credit judgements by the reporting entities than is required by IAS 39 today and a higher subjectivity is thus introduced. The inclusion of forward looking information adds complexity and makes provisions more dependent on management's view of the future economic outlook. It is expected that the impairment calculations under IFRS 9 will be more volatile and pro-cyclical than under IAS 39, mainly due to the significant subjectivity applied in the forward looking scenarios.

Hedge accounting

The main change to the general hedge accounting requirements is that the standard aligns hedge accounting more closely with the risk management activities. As Nordea Eiendomskreditt generally uses macro (portfolio) hedge accounting, Nordea Eiendomskreditt's assessment is that the new requirements will not have any significant impact on the company's financial statements, capital adequacy, large exposures, risk management or alternative performance measures in the period of initial application.

Nordea Eiendomskreditt's tentative conclusion is to continue using the IAS 39 hedge accounting requirements also after IFRS 9 has been implemented, but that remains to be confirmed.

IFRS 15 "Revenue from Contracts with Customers"

The IASB published the new standard, IFRS 15 "Revenue from Contracts with Customers" in 2014. Clarifications to the standard were published in April 2016. The new standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition standards and interpretations within IFRS, such as IAS 18 "Revenue". The new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The standard was endorsed by the EU-commission in 2016 and the clarifications are expected to be endorsed in 2017.

The standard does not apply to financial instruments, insurance contracts or lease contracts. The current assessment is that the new standard will not have any significant impact on Nordea Eiendomskreditt's financial statements, capital adequacy, or large exposures in the period of initial application.

Other amendments to IFRS

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

Other items

ESMA (the European Securities and Markets Authority) has published a guideline for Alternative Performance Measures. Nordea publishes this information regarding definitions and calculations for Nordea Eiendomskreditt on the shared site for investor relations at www.nordea.com.

Exchange rates

USD 1 = NOK	Jan-Jun 2017	Full year 2016	Jan-Jun 2016
Income statement (average)	8.4793	8.4011	8.4498
Balance sheet (at end of period)	8.3871	8.6200	8.3776
GBP 1 = NOK			
Income statement (average)	10.6693	11.3922	12.1163
Balance sheet (at end of period)	10.8848	10.6126	11.2532
EUR 1 = NOK			
Income statement (average)	9.1771	9.2943	-
Balance sheet (at end of period)	9.5713	9.0863	-

Note 2 Segment information

The activities of Nordea Eiendomskreditt AS represent a single segment. This is a result of the manner in which the company is organised and managed, including the system for internal reporting whereby the business is to all practical purposes managed as a single segment.

The services provided by Nordea Eiendomskreditt AS are judged to be subject to the same risks and yield requirements. Nordea Eiendomskreditt AS is part of the Personal Banking Business Area in Nordea.

Note 3 Net result from items at fair value

Net gains/losses for categories of financial instruments

NOKt	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Financial instruments held for trading 1	-941	-18 030	-3 457
Financial instruments under hedge accounting	-22 192	13 155	-12 660
- of which net gains/losses on hedged items	108 693	-27 455	607 901
- of which net gains/losses on hedging instruments	-130 886	40 609	-620 561
Other financial instruments	0	-117	0
Total	**-23 133**	**-4 992**	**-16 116**

[1] No assets or liabilities were classified as held for trading other than interest-bearing securities and derivatives held for economic hedging, which do not meet the requirements for hedge accounting according to IAS 39.

Note 4 Loans and impairment

Net loan losses

NOKt	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Realised loan losses	3 833	4 202	7 571
Allowances to cover realised loan losses	-2 948	-2 664	-5 920
Recoveries on previous realised loan losses	0	0	0
Provisions	9 010	3 205	6 824
Reversals of previous provisions	-2 262	-1 099	-7 931
Total loan losses for the period	**7 632**	**3 644**	**544**

Reconciliation of allowance accounts for impaired loans

NOKt	Jan-Jun 2017			Jan-Jun 2016			Jan-Dec 2016		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at beginning of period	**28 017**	**40 639**	**68 656**	**31 835**	**43 745**	**75 580**	**31 835**	**43 745**	**75 580**
Provisions	3 011	5 999	9 010	2 960	245	3 205	6 579	245	6 824
Reversals	-1 242	-1 019	-2 262	-1 099	0	-1 099	-4 581	-3 350	-7 931
Changes through the income statement	**1 768**	**4 979**	**6 748**	**1 861**	**245**	**2 106**	**1 999**	**-3 106**	**-1 107**
Allowances to cover realised loan losses	-2 948	0	-2 948	-2 664	0	-2 664	-5 817	0	-5 817
Closing balance at end of period	**26 837**	**45 618**	**72 456**	**31 032**	**43 989**	**75 021**	**28 017**	**40 639**	**68 656**

Loans and impairment

NOKt	30 Jun 2017	30 Jun 2016	31 Dec 2016
Loans, not impaired	133 288 970	118 979 436	105 573 899
Impaired loans;	416 227	430 618	434 095
- Servicing	20 929	22 924	39 693
- Non-servicing	395 298	407 694	394 402
Loans before allowances	**133 705 197**	**119 410 054**	**106 007 994**
Allowances for individually assessed impaired loans;	-26 837	-31 032	-28 017
- Servicing	-1 767	-2 263	-2 813
- Non-servicing	-25 070	-28 769	-25 204
Allowances for collectively assessed impaired loans	-45 619	-43 989	-40 639
Allowances	**-72 456**	**-75 021**	**-68 656**
Loans, carrying amount	**133 632 741**	**119 335 033**	**105 939 338**

Key ratios

	30 Jun 2017	30 Jun 2016	31 Dec 2016
Impairment rate, gross[1], (bsp)	31.1	36.1	40.9
Impairment rate, net[2], (bsp)	25.7	33.5	34.5
Total allowance rate[3], (bsp)	5.4	6.3	6.5
Allowance rate, individually assessed impaired loans[4], in %	6.4	7.2	6.5
Total allowances in relation to impaired loans[5], in %	17.4	17.4	15.8
Non-performing loans, not impaired[6], in NOKt	114 918	22 426	77 298

[1] Impaired loans before allowances divided by total loans before allowances.

[2] Impaired loans after allowances divided by total loans before allowances.

[3] Total allowances divided by total loans before allowances.

[4] Allowances for individually assessed impaired loans divided by gross impaired loans.

[5] Total allowances divided by gross impaired loans

[6] Past due loans, not impaired due to future cash flows

Note 5 Classification of financial instruments

Of the assets listed below, Loans to credit institutions, Loans to the public, Interest-bearing securities, Derivatives, as well as accrued interest on these items, are exposed to credit risk. The exposure equals the book value presented in the tables below.

NOKt	Loans and receivables	Assets at fair value through profit and loss - Held for trading [1]	Derivatives used for hedging	Non-financial assets	Total
Assets					
Loans to credit institutions	313 522				313 522
Loans to the public	133 632 741				133 632 741
Interest-bearing securities		5 790 024			5 790 024
Derivatives			1 345 608		1 345 608
Fair value changes of the hedged items in portfolio hedge of interest rate risk	29 384				29 384
Other assets				999	999
Prepaid expenses and accrued income	139 331			119	139 450
Total 30 June 2017	**134 114 978**	**5 790 024**	**1 345 608**	**1 118**	**141 251 727**
Total 31 December 2016	**106 241 659**	**5 758 726**	**1 612 186**	**154**	**113 612 726**
Total 30 June 2016	**119 809 988**	**2 246 255**	**5 052 336**	**121**	**127 108 699**

NOKt	Liabilities at fair value through profit and loss - Held for trading [1]	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions			43 697 100		43 697 100
Debt securities in issue			80 898 760		80 898 760
Derivatives	58 491	1 519 094			1 577 585
Fair value changes of the hedged items in portfolio hedge of interest rate risk			944 027		944 027
Current tax liabilities				140 840	140 840
Other liabilities			278	3 548	3 826
Accrued expenses and prepaid income			355	6 697	7 052
Deferred tax liabilities				81 979	81 979
Retirement benefit obligations				14 091	14 091
Subordinated loan capital			1 200 184		1 200 184
Total 30 June 2017	**58 491**	**1 519 094**	**126 740 704**	**247 155**	**128 565 445**
Total 31 December 2016	**75 342**	**1 719 041**	**99 252 440**	**288 167**	**101 334 989**
Total 30 June 2016	**45 462**	**1 225 851**	**115 867 321**	**215 156**	**117 353 790**

[1] No assets or liabilities were classified as held for trading other than interest-bearing securities and derivatives held for economic hedging, which do not meet the requirements for hedge accounting according to IAS 39.

Note 6 Derivatives and hedge accounting

30 June 2017, NOKt	Fair value Positive	 Negative	Total nominal amount
Derivatives held for trading [1]:			
Interest rate swaps	0	58 491	44 500 000
Total	**0**	**58 491**	**44 500 000**
Derivatives used for hedge accounting:			
Interest rate swaps	1 038 773	161 987	18 143 000
Currency interest rate swaps	306 835	1 357 107	14 248 301
Total	**1 345 608**	**1 519 094**	**32 391 301**
Total derivatives	**1 345 608**	**1 577 585**	**86 891 301**

31 December 2016, NOKt	Fair value Positive	 Negative	Total nominal amount
Derivatives held for trading [1]:			
Interest rate swaps	950	75 342	58 500 000
Total	**950**	**75 342**	**58 500 000**
Derivatives used for hedge accounting:			
Interest rate swaps	1 441 669	155 478	20 083 000
Currency interest rate swaps	170 517	1 563 563	14 248 301
Total	**1 612 186**	**1 719 041**	**34 331 301**
Total derivatives	**1 613 137**	**1 794 382**	**92 831 301**

30 June 2016, NOKt	Fair value Positive	 Negative	Total nominal amount
Derivatives held for trading [1]:			
Interest rate swaps	0	45 462	34 500 000
Total	**0**	**45 462**	**34 500 000**
Derivatives used for hedge accounting:			
Interest rate swaps	1 777 706	171 360	30 265 590
Currency interest rate swaps	3 274 630	1 054 491	21 037 481
Total	**5 052 336**	**1 225 851**	**51 303 071**
Total derivatives	**5 052 336**	**1 271 313**	**85 803 071**

[1] No derivatives were classified as held for trading other than derivatives held for economic hedging, which do not meet the requirements for hedge accounting according to IAS 39.

Note 7 Fair value of financial assets and liabilities

	30 June 2017		31 December 2016	
NOKt	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Loans	133 975 646	134 271 850	106 124 274	105 039 386
Interest-bearing securities	5 790 024	5 790 024	5 757 776	5 757 776
Derivatives	1 345 608	1 345 608	1 613 137	1 613 137
Other financial assets	0	0	0	0
Prepaid expenses and accrued income	139 093	139 093	117 385	117 385
Total financial assets	**141 250 371**	**141 546 575**	**113 612 571**	**112 527 684**

	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Deposits and debt instruments	126 740 071	127 865 121	99 252 186	99 822 748
Derivatives	1 577 585	1 577 585	1 794 382	1 794 382
Other financial liabilities	0	0	253	253
Accrued expenses and prepaid income	355	355	0	0
Total financial liabilities	**128 318 011**	**129 443 061**	**101 046 822**	**101 617 383**

The determination of fair value is described in the Annual Report 2016, Note 17 Assets and liabilities at fair value.

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

Categorisation into fair value hierarchy

30 June 2017, 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		5 790 024		5 790 024
Derivatives		1 345 608		1 345 608
Total assets	**0**	**4 667 978**	**0**	**4 667 978**
Financial liabilities [1]				
Derivatives		1 577 585		1 577 585
Total liabilities	**0**	**1 577 585**	**0**	**1 577 585**

31 December 2016, 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		5 757 776		5 757 776
Derivatives		1 613 137		1 613 137
Total assets	**0**	**7 370 913**	**0**	**7 370 913**
Financial liabilities [1]				
Derivatives		1 794 382		1 794 382
Total liabilities	**0**	**1 794 382**	**0**	**1 794 382**

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

Determination of fair values for items measured at fair value on the balance sheet
Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments, based on independently sourced market parameters as described above, and assuming no risks and uncertainties. For more information about valuation techniques and inputs used in the fair value measurement, see the Annual Report 2016, Note 17 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 in the first half year of 2017. When transfers between levels occur, these are considered to have occurred at the end of the reporting period.

Note 9 Capital adequacy

Summary of items included in own funds

NOKm	30 Jun 2017	31 Dec[1] 2016	30 Jun 2016
Calculation of own funds			
Equity in the consolidated situation	12 274	12 278	9 434
Proposed/actual dividend			
Common Equity Tier 1 capital before regulatory adjustments	12 274	12 278	9 434
Deferred tax assets			
Intangible assets			
IRB provisions shortfall (-)	-77	-63	-78
Deduction for investments in credit institutions (50%)			
Pension assets in excess of related liabilities			
Other items, net	45	42	-8
Total regulatory adjustments to Common Equity Tier 1 capital	-32	-21	-86
Common Equity Tier 1 capital (net after deduction)	**12 242**	**12 257**	**9 348**
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)	**12 242**	**12 257**	**9 348**
Tier 2 capital before regulatory adjustments	1 200	1 200	780
IRB provisions excess (+)	25	29	28
Deduction for investments in credit institutions (50%)			
Deductions for investments in insurance companies			
Pension assets in excess of related liabilities			
Other items, net			
Total regulatory adjustments to Tier 2 capital	25	29	28
Tier 2 capital	1 225	1 229	808
Own funds (net after deduction)[2]	**13 467**	**13 486**	**10 156**

[1] Including profit of the period

[2] Own Funds adjusted for IRB provision, i.e. adjusted own funds equal 13,519m by 30 June 2017

Own Funds, including profit

NOKm	30 Jun 2017	31 Dec 2016	30 Jun 2016
Common Equity Tier 1 capital, including profit	12 805	12 257	9 669
Total Own Funds, including profit	14 030	13 486	10 477

Note 9 Capital adequacy cont.

Minimum Capital requirement and REA

NOKm	30 Jun 2017 Minimum Capital requirement	30 Jun 2017 REA	31 Dec 2016 Minimum Capital requirement	31 Dec 2016 REA	30 Jun 2016 Minimum Capital requirement	30 Jun 2016 REA
Credit risk	**1 113**	**13 918**	**900**	**11 247**	**1 092**	**13 649**
- of which counterparty credit risk	4	46	25	309	87	1 081
IRB	1 105	13 809	873	10 907	1 001	12 508
- sovereign	7	91				
- corporate						
- advanced						
- foundation						
- institutions	13	155	14	166		
- retail	1 085	13 563	859	10 741	1 001	12 508
- secured by immovable property collateral	1 034	12 931	815	10 187	955	11 933
- other retail	51	632	44	554	46	575
- other					0	0
Standardised	8	109	27	340	91	1 141
- central governments or central banks						
- regional governments or local authorities						
- public sector entities						
- multilateral development banks						
- international organisations						
- institutions	8	109	27	340	91	1 141
- corporate						
- retail						
- secured by mortgages on immovable properties						
- in default						
- associated with particularly high risk						
- covered bonds						
- institutions and corporates with a short-term credit assessment						
- collective investments undertakings (CIU)						
- equity						
- other items						
Credit Value Adjustment Risk						
Market risk						
- trading book, Internal Approach						
- trading book, Standardised Approach						
- banking book, Standardised Approach						
Operational risk	**204**	**2 550**	**238**	**2 977**	**238**	**2 977**
Standardised	204	2 550	238	2 977	238	2 977
Additional risk exposure amount due to Article 3 CRR	**24**	**295**	**5**	**63**	**11**	**140**
Sub total	**1 341**	**16 763**	**1 143**	**14 287**	**1 341**	**16 766**
Adjustment for Basel I floor						
Additional capital requirement according to Basel I floor	3 381	42 263	2 674	33 420	2 943	36 778
Total	**4 722**	**59 026**	**3 817**	**47 707**	**4 284**	**53 544**

Note 9 Capital adequacy cont.

Minimum Capital Requirement & Capital Buffers

		Capital Buffers					
Percentage	**Minimum Capital requirement**	**CCoB**	**CCyB**	**SII**	**SRB**	**Capital Buffers total**	**Total**
Common Equity Tier 1 capital	4.5	2.5	1.5		3.0	7.0	11.5
Tier 1 capital	6.0	2.5	1.5		3.0	7.0	13.0
Own funds	8.0	2.5	1.5		3.0	7.0	15.0
NOKm							
Common Equity Tier 1 capital	2 656	1 476	883		1 771	4 130	6 786
Tier 1 capital	3 542	1 476	883		1 771	4 130	7 671
Own funds	4 722	1 476	883		1 771	4 130	8 852

Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	**30 Jun[2] 2017**	**31 Dec[1,2] 2016**	**30 Jun[2] 2016**
Common Equity Tier 1 capital	14.7	19.7	11.0

[1] Including profit for the period

[2] Including Basel I floor

Capital ratios

Percentage	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2016**
Common Equity Tier 1 capital ratio, including profit	76.4	85.8	57.7
Tier 1 capital ratio, including profit	76.4	85.8	57.7
Total capital ratio, including profit	83.7	94.4	62.5
Common Equity Tier 1 capital ratio, excluding profit	73.0	81.5	55.8
Tier 1 capital ratio, excluding profit	73.0	81.5	55.8
Total capital ratio, excluding profit	80.3	90.1	60.6

Capital ratios including Basel I floor

Percentage	**30 Jun 2017**	**31 Dec 2016**	**30 Jun 2016**
Common Equity Tier 1 capital ratio, including profit	25.7	25.7	21.3
Tier 1 capital ratio, including profit	25.7	25.7	21.3
Total capital ratio, including profit	28.3	28.3	22.8
Common Equity Tier 1 capital ratio, excluding profit	25.4	24.4	21.0
Tier 1 capital ratio, excluding profit	25.4	24.4	21.0
Total capital ratio, excluding profit	28.0	27.0	22.6

Leverage ratio	**30 Jun[2] 2017**	**31 Dec[1,2] 2016**	**30 Jun 2016**
Tier 1 capital, transitional definition, NOKm	12 242	12 257	9 348
Leverage ratio exposure, NOKm	147 639	120 378	141 964
Leverage ratio, percentage	8.3	10.2	6.6

[1] Including profit of the period

[2] Leverage ratio is calculated according to the Delegated Act

Note 9 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), NOKm1	of which EAD for off-balance, NOKm	Exposure-weighted average risk weight:
Sovereign, foundation IRB:	2 468		2 468		4
of which					
- rating grades 7	2 468		2 468		4
- rating grades 6					
- rating grades 5					
- rating grades 4					
- rating grades 3					
- rating grades 2					
- rating grades 1					
- unrated					
- defaulted					
Institutions, foundation IRB:	3 322		3 322		5
of which					
- rating grades 6	3 322		3 322		5
- rating grades 5					
- rating grades 4					
- rating grades 3					
- rating grades 2					
- rating grades 1					
- unrated					
- defaulted					
Retail, of which secured by real estate:	129 889	13 978	134 404	4 515	10
of which					
- scoring grades A	101 749	12 452	105 771	4 022	5
- scoring grades B	15 613	981	15 930	317	11
- scoring grades C	6 428	345	6 539	112	23
- scoring grades D	3 608	134	3 652	43	44
- scoring grades E	1 337	59	1 356	19	73
- scoring grades F	610	3	611	1	113
- not scored					
- defaulted	544	4	545	1	238
Retail, of which other retail:	3 955	1 095	4 309	354	15
of *which*					
- scoring grades A	2 920	947	3 226	306	8
- scoring grades B	587	90	616	29	17
- scoring grades C	200	33	211	10	31
- scoring grades D	132	8	134	3	44
- scoring grades E	47	15	51	5	51
- scoring grades F	24	0	25	0	75
- not scored					
- defaulted	45	2	46	1	221
Other non credit-obligation assets:					

Nordea Eiendomskreditt does not have the following IRB exposure classes: equity exposures, central governments and central banks, qualifying revolving retailretail

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

Note 10 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.

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 2016.

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

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

Note 11 Transactions with related parties

Nordea Eiendomskreditt considers that its related parties include its parent company, other companies in the Nordea Group, and key persons in senior positions.

Interest rate risk and currency risk that arise as part of Nordea Eiendomskreditt's normal business activities, are hedged using interest rate and currency swaps. Counterparties to all derivative contracts are Nordea Group internal. The volume and fair value of the derivative contracts are shown in note 6.

Nordea Bank AB (publ), filial i Norge also provides short term unsecured funding to Nordea Eiendomskreditt, and at the end of the second quarter 2017 such borrowings amounted to NOK 43.7 billion.

Loans to the public, which constitute Nordea Eiendomskreditt's cover pool, are purchased from Nordea Bank AB (publ), filial i Norge. Instalments, early redemptions and refinancings will over time reduce the company's loan portfolio. Loans that cease to be a part of the portfolio, are replaced by new purchases of loans from the parent bank, if deemed necessary to maintain the level of overcollateralization, or for other strategic reasons. This year to date, loans amounting to NOK 46.9 billion have been transferred from Nordea Bank AB (publ), filial i Norge to Nordea Eiendomskreditt AS.

Transferred loans are continued to be managed by Nordea's Norwegian branch offices. For this service Nordea Eiendomskreditt has paid an amount of NOK 187.5 million in the first six months of 2017.

Nordea Eiendomskreditt also buys services related to funding and risk control, accounting and reporting, and IT services from other Nordea companies according to agreements entered into. All group internal transactions are settled according to market based principles on conformity with OECD requirements on transfer pricing.

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