



Interim Report 3rd quarter 2017

Nordea Eiendoms kreditt AS



Nordea Eiendoms kreditt 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-Sep 2017	Jan-Sep 2016	Year 2016
Net interest income	1 177	955	1 247
Net result from items at fair value	-17	1	-16
Other operating income	42	34	49
Total operating income	1 203	991	1 280
Staff costs	12	2	0
Other expenses	301	348	462
Total operating expenses	314	350	462
Loan losses (negative figures are reversals)	23	4	1
Operating profit	867	637	817
Income tax expense	217	159	204
Net profit for the period	650	478	613

Summary of balance sheet (NOKm)

	30 Sep 2017	30 Sep 2016	31 Dec 2016
Loans to the public	123 318	115 980	105 939
Other assets	6 348	6 452	7 673
Debt securities in issue	75 424	91 267	84 252
Other liabilities	41 311	21 312	17 083
Equity	12 931	9 854	12 278
Total assets	129 666	122 432	113 613
Average total assets	131 421	120 869	119 682

Ratios and key figures

	30 Sep 2017	30 Sep 2016	31 Dec 2016
Basic/diluted Earnings per share (EPS), annualised basis, NOK	56,5	41,5	39,9
Equity per share ¹ , NOK	843,2	642,5	800,6
Shares outstanding ¹ , million	15,3	15,3	15,3
Post-tax return on average equity	6,9 %	6,2 %	6,0 %
Cost/income ratio	26,1 %	35,3 %	36,1 %
Loan loss ratio, annualised, basis points, average loan balance	2,5	0,5	0,1
Common Equity Tier 1 capital ratio, excl, Basel I floor ^{1,2}	86,4 %	59,2 %	85,8 %
Tier 1 capital ratio, excl, Basel I floor ^{1,2}	86,4 %	59,2 %	85,8 %
Total capital ratio, excl, Basel I floor ^{1,2}	95,3 %	67,0 %	94,4 %
Common Equity Tier 1 capital ratio, incl, Basel I floor ^{1,2}	22,3 %	18,1 %	25,7 %
Tier 1 capital ratio, incl, Basel I floor ^{1,2}	22,3 %	18,1 %	25,7 %
Total capital ratio, incl, Basel I floor ^{1,2}	24,6 %	20,5 %	28,3 %
Own funds, NOKm ^{1,2}	13 487	10 584	13 486
Risk Exposure Amount incl, Basel I floor ¹ , NOKm	54 758	51 581	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 Eiendoms kreditt AS

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

Nordea Eiendoms kreditt'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 Eiendoms kreditt 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 nine months of 2017 was NOK 867 million (NOK 637 million). The profit reported is equivalent to a post-tax return on average equity of 6.9% (6.2%) on an annualised basis.

Net interest income for the nine months ending 30 September 2017 showed an increase of 23% compared to the same period last year, and amounted to NOK 1 177 million (NOK 955 million). The loan portfolio has been higher in 2017 than in 2016, and this is the main reason for the increase in net interest income. However, also return on the liquidity portfolio has been higher than the previous year.

Total operating expenses for the first nine months amounted to NOK 314 million (NOK 350 million). NOK 12 million of operating expenses is staff related (NOK 2 million) and the increase from last year is due to increased staffing. Other operating expenses are mainly related to management of the loan portfolio and customer contact, as well as funding and risk control.

Loan losses and provisions recognised in the accounts for the first nine months amounted to NOK 23 million (NOK 4 million). Changes in allowances for individually assessed loans are insignificant since year end, while allowances for collectively assessed loans have increased by NOK 18 million. Realised loan losses in the period were NOK 5 million.

Total assets amounted to NOK 129 666 million as of 30 September 2017 (NOK 122 432 million).

Capital position and risk-weighted exposure

Nordea Eiendoms kreditt's Common Equity Tier 1 capital ratio excluding Basel I floor was 86.4% excluding profit at the end of the third quarter, an increase of 13.4 percentage points from the end of the previous quarter. This was primarily due to decrease in REA, stemming from amortization in mortgage loans as well as the

favourable rating migration. The Total Capital ratio excluding Basel I floor increased 14.9 percentage points to 95.3% excluding profit.

Risk Exposure Amount (REA) was NOK 14 154 million excluding Basel I rules, a decrease of NOK 2 609 million, compared to the previous quarter. The main driver for the decrease in REA was decreased volumes in the retail portfolio due to amortization in mortgage loans as well as the favourable rating migration.

The Common Equity Tier 1 ratio including Basel I rules was 22.3% excluding profit at the end of the third quarter and the Own Funds was NOK 13 487 million. The Tier 1 capital and the Common Equity Tier 1 capital was NOK 12 235 million (no additional Tier 1 capital).

Funding

Nordea Eiendoms kreditt's main funding source is issuance of covered bonds. Covered bonds are debt instruments, regulated by the Financial Undertakings Act (Act. No. 17 of 10 April 2015, Norwegian: Finansforetaksloven), that gives investors a preferential claim into a pool of high quality assets in case of the issuer's insolvency. Norwegian covered bonds can only be issued by mortgage credit institutions that holds a licence from the Norwegian FSA and whose articles of association comply with certain mandatory requirements. The cover pool in Nordea Eiendoms kreditt consists entirely of Norwegian residential mortgage loans and loans to holiday houses in Norway.

During the first nine months of 2017 Nordea Eiendoms kreditt 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 September 2017, Nordea Eiendoms kreditt had outstanding covered bonds totalling NOK 67.5 billion in the Norwegian market, GBP 0.6 billion in the British market and EUR 0.1 billion in the European market. Nordea Eiendoms kreditt also had subordinated debt outstanding to the amount of NOK 1.2 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 Eiendoms kreditt also raised short term unsecured funding from the parent bank. At the end of the third quarter of 2017 such borrowings amounted to NOK 37.1 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 123.4 billion as of 30 September 2017 (NOK 116.1 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 116.4 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 51.5% 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 third quarter of 2017, the company was party to interest rate swaps with nominal value of NOK 62.5 billion. In accordance with IFRS, fair value changes of interest rate swaps and the corresponding hedged items (fixed-rate lending and fixed-rate issued bonds) due to changes in market rates, are recognised in the profit and loss accounts.

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

Impaired loans

As of 30 September 2017 impaired loans amounted to NOK 687.3 million which corresponds to 0.56% of the total lending portfolio. Individual allowances of NOK 27.8 million have been made, and net impaired loans were NOK 659.5 million at 30 September 2017 compared to NOK 407.3 million at 30 September 2016.

Nordea Eiendoms kreditt AS

Oslo, 8 November 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



Anne Sofie Knoph
Employee representative



Børre Sten Gundersen
Chief Executive Officer

Income statement

NOKt	Note	Jan-Sep 2017	Jan-Sep 2016	Q3 2017	Q3 2016	Year 2016
Operating income						
Interest income on loans and deposits with financial institutions		3 300	3 047	371	1 778	3 677
Interest and related income on loans to customers		2 332 125	2 149 799	799 317	720 256	2 849 870
Interest and related income on debt securities		36 899	8 714	11 503	4 117	14 191
Other interest and related income		194	304	71	93	1
Total interest and related income		2 372 519	2 161 864	811 262	726 244	2 867 738
Interest expense on liabilities to financial institutions		242 719	97 442	106 691	31 574	134 487
Interest and related expense on securities issued		1 094 043	1 358 213	337 219	468 044	1 767 267
Interest expense on subordinated loan capital		26 343	27 826	8 459	9 376	43 051
Other interest and related expense ¹		-167 881	-276 594	-56 750	-91 659	-323 758
Total interest and related expense		1 195 224	1 206 887	395 619	417 335	1 621 048
Net interest income		1 177 294	954 977	415 643	308 909	1 246 690
Fee and commission income		45 207	38 293	15 168	13 319	52 404
Fee and commission expense		2 765	3 865	1 291	1 782	3 510
Net fee and commission income		42 442	34 428	13 877	11 537	48 894
Net result from items at fair value	3	-16 626	1 291	6 507	6 283	-16 116
Total operating income		1 203 111	990 697	436 027	326 730	1 279 468
Staff costs		12 414	1 711	4 410	595	-60
Other operating expenses		301 369	347 899	103 130	117 188	462 123
Total operating expenses		313 783	349 610	107 540	117 782	462 063
Profit before loan losses		889 328	641 087	328 487	208 948	817 405
Loan losses	4	22 823	3 991	15 190	347	544
Operating profit		866 505	637 096	313 296	208 601	816 860
Income tax expense		216 626	159 279	75 928	52 150	204 226
Net profit for the period		649 879	477 817	237 368	156 450	612 635
Attributable to:						
Shareholder of Nordea Eiendomskreditt AS		649 879	477 817	237 368	156 450	612 635
Total		649 879	477 817	237 368	156 450	612 635
Basic/diluted earnings per share, NOK		42,4	31,2	15,5	10,2	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-Sep 2017	Jan-Sep 2016	Q3 2017	Q3 2016	Year 2016
Net profit for the period	649 879	477 817	237 368	156 450	612 635
Items that may be reclassified subsequently to the income statement					
Cash flow hedges:					
Valuation gains/losses during the period	4 773	-128 140	9 774	-76 878	-139 132
Tax on valuation gains/losses during the period	-1 193	32 035	-2 443	19 219	34 783
Items that may not be reclassified subsequently to the income statement					
Defined benefit plans:					
Remeasurement of defined benefit plans	-49	-1 413	238	-74	-4 721
Tax on remeasurement of defined benefit plans	12	353	-60	18	1 180
Other comprehensive income, net of tax	3 543	-97 165	7 509	-57 714	-107 889
Total comprehensive income	653 422	380 652	244 877	98 736	504 745
Attributable to:					
Shareholders of Nordea Eiendomskreditt AS	653 422	380 652	244 877	98 736	504 745
Total	653 422	380 652	244 877	98 736	504 745

Balance sheet

NOKt	Note	30 Sep 2017	30 Sep 2016	31 Dec 2016
Assets				
Loans to credit institutions		248 841	1 430 151	155 900
Loans to the public	4	123 317 861	115 980 170	105 939 338
Interest-bearing securities		4 792 373	3 183 418	5 757 776
Derivatives	6	1 130 291	1 677 751	1 613 137
Fair value changes of the hedged items in portfolio hedge of interest rate risk		28 408	39 711	29 036
Other assets		2 298	-	154
Accrued income and prepaid expenses		145 716	121 060	117 385
Total assets	5	129 665 788	122 432 260	113 612 726
Liabilities				
Deposits by credit institutions		37 155 464	15 837 802	12 752 409
Debt securities in issue		75 424 047	91 266 982	84 251 822
Derivatives	6	1 702 395	1 815 306	1 794 382
Fair value changes of the hedged items in portfolio hedge of interest rate risk		903 404	1 426 243	1 047 646
Current tax liabilities		216 768	159 093	193 892
Other liabilities		26 443	3 971	2 637
Accrued expenses and prepaid income		7 466	2 657	1 050
Deferred tax liabilities		84 482	76 548	83 301
Retirement benefit obligations		13 979	6 692	7 540
Subordinated loan capital		1 200 179	1 983 323	1 200 310
Total liabilities		116 734 628	112 578 616	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		-59 227	-52 045	-62 770
Retained earnings		6 906 880	6 294 246	6 906 880
Net profit for the period		649 879	477 817	
Total equity		12 931 160	9 853 644	12 277 737
Total liabilities and equity		129 665 788	122 432 260	113 612 726
Assets pledged as security for own liabilities		116 438 127	108 153 292	98 523 242
Contingent liabilities		704	869	704
Commitments		14 266 539	14 383 555	13 660 782

Statements of changes in equity

NOKt	Share capital ¹⁾	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
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			3 580	-37	649 879	653 422
Group contribution paid						0
Group contribution received						0
Closing balance at 30 Sep 2017	1 702 326	3 731 301	-54 560	-4 666	7 556 759	12 931 160

NOKt	Share capital ¹⁾	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
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

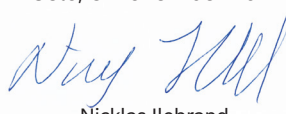
NOKt	Share capital ¹⁾	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
Opening balance at 1 Jan 2016	1 686 990	1 446 637	46 209	-1 089	7 371 910	10 550 657
Total comprehensive income			-96 105	-1 060	477 817	380 652
Group contribution paid					-1 077 665	-1 077 665
Group contribution received						0
Closing balance at 30 Sep 2016	1 686 990	1 446 637	-49 897	-2 148	6 772 062	9 853 644

¹ The company's share capital at 30 September 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 Eiendoms kreditt AS

Oslo, 8 November 2017


John Arne Sætre
Chairman


Nicklas Ilebrand
Vice Chairman



Ola Littorin
Board member


Marte Kopperstad
Board member


Eva I. E. Jarbakk
Board member


Alex Madsen
Board member


Anne Sofie Knoph
Employee representative


Børre Sten Gundersen
Chief Executive Officer

Cash flow statement

NOKt	Jan-Sep 2017	Jan-Sep 2016	Year 2016
Operating activities			
Operating profit before tax	866 505	637 096	816 860
Adjustments for items not included in cash flow	18 163	-786	-6 924
Income taxes paid	-193 750	-181	-0
Cash flow from operating activities before changes in operating assets and liabilities	690 918	636 129	809 936
Changes in operating assets			
Change in loans to the public	-17 396 686	-9 547 168	499 802
Change in interest-bearing securities	955 076	-1 669 485	-4 229 237
Change in derivatives, net	390 859	6 698 798	6 742 488
Change in other assets	-19 520	251 467	251 057
Changes in operating liabilities			
Change in other liabilities	-257 301	-520 092	-770 930
Cash flow from operating activities	-15 636 654	-4 150 351	3 303 116
Investing activities			
Purchase/sale of tangible fixed assets			
Change in loans and receivables to credit institutions, fixed terms			
Change in holdings of bearer bonds issued by others			
Cash flow from investing activities	0	0	0
Financing activities			
Change in deposits by credit institutions	24 363 615	-4 190 071	-7 282 227
Receipts on issue of debt securities	3 175 454	26 150 698	26 407 183
Payments on redemption of debt securities	-11 809 475	-16 293 844	-23 705 891
Change in subordinated loan capital		1 200 000	420 000
Group contribution paid		-1 430 000	-1 430 000
Group contribution received			
Increase in share capital and share premium			2 300 000
Cash flow from financing activities	15 729 594	5 436 782	-3 290 936
Cash flow for the year	92 941	1 286 431	12 180
Cash and cash equivalents at 1 January	155 900	143 720	143 720
Cash and cash equivalents at end of the period	248 841	1 430 151	155 900
Change	92 941	1 286 431	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 Eiendoms kreditt's cash flow has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as loan losses. The cash flows are classified by operating, investing and financing activities.

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

Changes in IFRSs not yet applied IFRS 9 "Financial instruments"

The 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. Additional qualitative disclosures can be found in the interim report for the second quarter 2017.

No significant quantitative impact is expected from the new classification and measurement requirements.

Total allowances and provisions amounted to NOK 87m at the end of the third quarter 2017 and the increase of total allowances and provisions will be accounted for directly in equity (after tax) at transition. No significant quantitative impact is expected. The final impact is dependent on Nordea Eiendoms kreditt's balance sheet as well as macro-economic forecasts, at transition.

There will be no impact from the new hedge accounting requirements in IFRS 9 as Nordea Eiendoms kreditt will continue using the hedge accounting requirements in IAS 39 until the IASB has completing the requirements on macro (open portfolio) hedge accounting.

	Jan-Sep 2017	Full year 2016	Jan-Sep 2016
USD 1 = NOK			
Income statement (average)	8,3059	8,4011	8,4066
Balance sheet (at end of period)	7,9726	8,6200	8,0517
GBP 1 = NOK			
Income statement (average)	10,5861	11,3922	11,7214
Balance sheet (at end of period)	10,6744	10,6126	10,4369
EUR 1 = NOK			
Income statement (average)	9,2361	9,2943	9,3801
Balance sheet (at end of period)	9,4125	9,0863	8,9865

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-Sep 2017	Jan-Sep 2016	Full year 2016
Financial instruments held for trading ¹	5 001	-18 073	-3 457
Financial instruments under hedge accounting	-21 628	19 365	-12 660
- of which net gains/losses on hedged items	138 663	280 376	607 901
- of which net gains/losses on hedging instruments	-160 292	-261 012	-620 561
Other financial instruments	0	0	0
Total	-16 626	1 291	-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-Sep 2017	Jan-Sep 2016	Jan-Dec 2016
Realised loan losses	4 660	4 776	7 571
Allowances to cover realised loan losses	-3 555	-3 254	-5 920
Recoveries on previous realised loan losses	0	0	0
Provisions	25 058	4 885	6 824
Reversals of previous provisions	-3 340	-2 417	-7 931
Total loan losses for the period	22 823	3 991	544

Reconciliation of allowance accounts for impaired loans

NOKt	Jan-Sep 2017			Jan-Sep 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	5 693	19 365	25 058	4 640	245	4 885	6 579	245	6 824
Reversals	-2 320	-1 019	-3 340	-1 827	-589	-2 417	-4 581	-3 350	-7 931
Changes through the income statement	3 372	18 346	21 718	2 813	-345	2 468	1 999	-3 106	-1 107
Allowances to cover realised loan losses	-3 555	0	-3 555	-3 254	0	-3 254	-5 817	0	-5 817
Closing balance at end of period	27 834	58 985	86 819	31 394	43 400	74 794	28 017	40 639	68 656

Loans and impairment

NOKt	30 Sep 2017	30 Sep 2016	31 Dec 2016
Loans, not impaired	122 717 344	115 616 218	105 573 899
Impaired loans;	687 336	438 746	434 095
- Servicing	27 841	36 052	39 693
- Non-servicing	659 494	402 694	394 402
Loans before allowances	123 404 680	116 054 964	106 007 994
Allowances for individually assessed impaired loans;	-27 834	-31 394	-28 017
- Servicing	-2 087	-2 781	-2 813
- Non-servicing	-25 747	-28 613	-25 204
Allowances for collectively assessed impaired loans	-58 985	-43 400	-40 639
Allowances	-86 819	-74 794	-68 656
Loans, carrying amount	123 317 861	115 980 170	105 939 338

Key ratios

	30 Sep 2017	30 Sep 2016	31 Dec 2016
Impairment rate, gross ¹ , (bsp)	55,7	37,8	40,9
Impairment rate, net ² , (bsp)	48,7	35,1	34,5
Total allowance rate ³ , (bsp)	7,0	6,4	6,5
Allowance rate, individually assessed impaired loans ⁴ , in %	4,0	7,2	6,5
Total allowances in relation to impaired loans ⁵ , in %	12,6	17,0	15,8
Non-performing loans, not impaired ⁶ , in NOKt	125 006	113 380	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	248 841				248 841
Loans to the public	123 317 861				123 317 861
Interest-bearing securities		4 792 373			4 792 373
Derivatives			1 130 291		1 130 291
Fair value changes of the hedged items in portfolio					
hedge of interest rate risk	28 408				28 408
Other assets	0			2 298	2 298
Prepaid expenses and accrued income	145 716				145 716
Total 30 September 2017	123 740 826	4 792 373	1 130 291	2 298	129 665 788
Total 31 December 2016	106 241 659	5 758 726	1 612 186	154	113 612 726
Total 30 September 2016	117 570 918	3 183 722	1 677 447	173	122 432 260
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			37 155 464		37 155 464
Debt securities in issue			75 424 047		75 424 047
Derivatives	55 253	1 647 142			1 702 395
Fair value changes of the hedged items in portfolio					
hedge of interest rate risk			903 404		903 404
Current tax liabilities				216 768	216 768
Other liabilities			23 157	3 286	26 443
Accrued expenses and prepaid income				7 466	7 466
Deferred tax liabilities				84 482	84 482
Retirement benefit obligations				13 979	13 979
Subordinated loan capital			1 200 179		1 200 179
Total 30 September 2017	55 253	1 647 142	114 706 251	325 981	116 734 628
Total 31 December 2016	75 342	1 719 041	99 252 440	288 167	101 334 989
Total 30 September 2016	65 882	1 749 424	110 514 675	248 635	112 578 616

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 September 2017, NOKt	Fair value		Total nominal amount
	Positive	Negative	
Derivatives held for trading ¹:			
Interest rate swaps	0	55 253	44 500 000
Total	0	55 253	44 500 000
Derivatives used for hedge accounting:			
Interest rate swaps	1 130 291	136 858	18 017 000
Currency interest rate swaps	0	1 510 284	9 114 756
Total	1 130 291	1 647 142	27 131 756
Total derivatives	1 130 291	1 702 395	71 631 756

31 December 2016, NOKt	Fair value		Total nominal amount
	Positive	Negative	
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 September 2016, NOKt	Fair value		Total nominal amount
	Positive	Negative	
Derivatives held for trading ¹:			
Interest rate swaps	304	65 882	58 500 000
Total	304	65 882	58 500 000
Derivatives used for hedge accounting:			
Interest rate swaps	1 595 867	135 221	22 433 000
Currency interest rate swaps	81 579	1 614 203	12 765 426
Total	1 677 447	1 749 424	35 198 426
Total derivatives	1 677 751	1 815 306	93 698 426

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

NOKt	30 September 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	123 595 110	124 405 102	106 124 274	105 039 386
Interest-bearing securities	4 792 373	4 792 373	5 757 776	5 757 776
Derivatives	1 130 291	1 130 291	1 613 137	1 613 137
Other financial assets	0	0	0	0
Prepaid expenses and accrued income	145 359	145 359	117 385	117 385
Total financial assets	129 663 133	130 473 125	113 612 571	112 527 684

	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Deposits and debt instruments	114 683 094	115 748 878	99 252 186	99 822 748
Derivatives	1 702 395	1 702 395	1 794 382	1 794 382
Other financial liabilities	23 077	23 077	253	253
Accrued expenses and prepaid income	327	327	0	0
Total financial liabilities	116 408 893	117 474 677	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

	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
30 September 2017, NOKt				
Financial assets¹				
Interest-bearing securities		4 792 373		4 792 373
Derivatives		1 130 291		1 130 291
Total assets	0	5 922 664	0	5 922 664
Financial liabilities¹				
Derivatives		1 702 395		1 702 395
Total liabilities	0	1 702 395	0	1 702 395
31 December 2016, NOKt				
Financial assets¹				
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 liabilities¹				
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 three quarters 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 Sep 2017	31 Dec ¹ 2016	30 Sep 2016
Calculation of own funds			
Equity in the consolidated situation	12 281	12 278	9 376
Proposed/actual dividend	0		
Common Equity Tier 1 capital before regulatory adjustments	12 281	12 278	9 376
Deferred tax assets			
Intangible assets			
IRB provisions shortfall (-)	-84	-63	-72
Deduction for investments in credit institutions (50%)			
Pension assets in excess of related liabilities			
Other items, net	38	42	50
Total regulatory adjustments to Common Equity Tier 1 capital	-46	-21	-22
Common Equity Tier 1 capital (net after deduction)	12 235	12 257	9 354
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)	12 235	12 257	9 354
Tier 2 capital before regulatory adjustments	1 200	1 200	1 200
IRB provisions excess (+)	52	29	30
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	52	29	30
Tier 2 capital	1 252	1 229	1 230
Own funds (net after deduction)²	13 487	13 486	10 584

¹ Including profit of the period

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

Own Funds, including profit

NOKm	30 Sep 2017	31 Dec 2016	30 Sep 2016
Common Equity Tier 1 capital, including profit	13 112	12 257	9 832
Total Own Funds, including profit	14 364	13 486	11 062

Note 9 Capital adequacy cont.

Minimum Capital requirement and REA

NOKm	30 Sep 2017 Minimum Capital requirement	30 Sep 2017 REA	31 Dec 2016 Minimum Capital requirement	31 Dec 2016 REA	30 Sep 2016 Minimum Capital requirement	30 Sep 2016 REA
Credit risk	928	11 604	900	11 247	1 015	12 686
- of which counterparty credit risk	3	41	25	309	26	324
IRB	921	11 513	873	10 907	966	12 076
- sovereign	4	55				
- corporate						
- <i>advanced</i>						
- <i>foundation</i>						
- institutions	12	155	14	166		
- retail	904	11 302	859	10 741	966	12 075
- <i>secured by immovable property collateral</i>	756	9 449	815	10 187	922	11 520
- <i>other retail</i>	148	1 853	44	554	44	556
- other	0	1			0	0
Standardised	7	91	27	340	49	610
- central governments or central banks						
- regional governments or local authorities						
- public sector entities						
- multilateral development banks						
- international organisations						
- institutions	7	91	27	340	49	610
- 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			5	63	11	138
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Sub total	1 132	14 154	1 143	14 287	1 264	15 801
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Adjustment for Basel I floor

Additional capital requirement according to Basel I floor	3 248	40 604	2 674	33 420	2 862	35 780
Total	4 381	54 758	3 817	47 707	4 126	51 581

Note 9 Capital adequacy cont.

Minimum Capital Requirement & Capital Buffers

Percentage	Minimum Capital requirement	Capital Buffers				Capital Buffers total	Total
		CCoB	CCyB	SII	SRB		
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	2 464	1 369	820		1 643	3 832	6 296
Tier 1 capital	3 285	1 369	820		1 643	3 832	7 117
Own funds	4 381	1 369	820		1 643	3 832	8 212

Common Equity Tier 1 available to meet Capital Buffers

	30 Sep ² 2017	31 Dec ^{1,2} 2016	30 Sept ² 2016
Percentage points of REA			
Common Equity Tier 1 capital	16,3	19,7	12,1

¹ Including profit for the period

² Including Basel I floor

Capital ratios

	30 Sep 2017	31 Dec 2016	30 Sep 2016
Percentage			
Common Equity Tier 1 capital ratio, including profit	91,1	85,8	62,2
Tier 1 capital ratio, including profit	91,1	85,8	62,2
Total capital ratio, including profit	100,0	94,4	70,0
Common Equity Tier 1 capital ratio, excluding profit	86,4	81,5	59,2
Tier 1 capital ratio, excluding profit	86,4	81,5	59,2
Total capital ratio, excluding profit	95,3	90,1	67,0

Capital ratios including Basel I floor

	30 Sep 2017	31 Dec 2016	30 Sep 2016
Percentage			
Common Equity Tier 1 capital ratio, including profit	23,6	25,7	19,1
Tier 1 capital ratio, including profit	23,6	25,7	19,1
Total capital ratio, including profit	25,8	28,3	21,4
Common Equity Tier 1 capital ratio, excluding profit	22,3	24,4	18,1
Tier 1 capital ratio, excluding profit	22,3	24,4	18,1
Total capital ratio, excluding profit	24,6	27,0	20,5

	30 Sep ² 2017	31 Dec ^{1,2} 2016	30 Sep ² 2016
Leverage ratio			
Tier 1 capital, transitional definition, NOKm	12 235	12 257	9 354
Leverage ratio exposure, NOKm	135 826	120 378	129 574
Leverage ratio, percentage	9,0	10,2	7,2

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), NOKm ¹	of which EAD for off-balance, NOKm	Exposure- weighted average risk weight:
Sovereign, foundation IRB:	1 472		1 472		4
<i>of which</i>					
- rating grades 7	1 472		1 472		4
- rating grades 6					
- rating grades 5					
- rating grades 4					
- rating grades 3					
- rating grades 2					
- rating grades 1					
- unrated					
- defaulted					
Institutions, foundation IRB:	3 320		3 320		5
<i>of which</i>					
- rating grades 6	3 320		3 320		5
- rating grades 5					0
- rating grades 4					0
- rating grades 3					0
- rating grades 2					0
- rating grades 1					0
- unrated					0
- defaulted					0
Retail, of which secured by real estate:	116 545	13 197	121 085	4 540	8
<i>of which</i>					
- scoring grades A	96 615	12 166	100 800	4 185	5
- scoring grades B	13 248	724	13 498	249	11
- scoring grades C	5 063	265	5 154	91	23
- scoring grades D	944	36	957	12	36
- scoring grades E					0
- scoring grades F					0
- not scored					0
- defaulted	675	6	677	2	242
Retail, of which other retail:	6 946	1 070	7 315	368	25
<i>of which</i>					
- scoring grades A	2 685	817	2 966	281	6
- scoring grades B	522	80	549	28	14
- scoring grades C	151	18	157	6	25
- scoring grades D	1 929	75	1 955	26	36
- scoring grades E	1 051	76	1 078	26	40
- scoring grades F	557	4	559	1	56
- not scored					
- defaulted	52	0	52	0	186
Other non credit-obligation assets:	1	0	1	0	100

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

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

Note 10 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. Secondly, the company is exposed to changes in the residential property market and the market for holiday houses.

Nordea Eiendoms kreditt 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 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. 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 Eiendoms kreditt, and at the end of the second third 2017 such borrowings amounted to NOK 37.1 billion.

Loans to the public, which constitute Nordea Eiendoms kreditt'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 Eiendoms kreditt AS.

Transferred loans are continued to be managed by Nordea Bank AB, Norwegian Branch. For this service Nordea Eiendoms kreditt has paid an amount of NOK 284.6 million in the first nine months of 2017.

Nordea Eiendoms kreditt 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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