Nordea

Annual Report 2021

Nordea Eiendomskreditt AS

Contents

Key financial figures – Five year overview 3
Board of Directors' Report 4
Income statement 11
Statements of comprehensive income 11
Balance sheet 12
Statement of changes in equity 13
Cash flow Statement 14

Notes to the financial statements

1 Accounting policies 15
2 Risk and liquidity management 24
3 Net interest income 33
4 Net result from items at fair value 34
5 Staff costs 35
6 Other expenses 36
7 Loan losses 36
8 Taxes 37
9 Loans and impairment 38
10 Derivatives and hedge accounting 43
11 Cover Pool 46
12 Debt securities in issue and loans from financial institutions 47
13 Retirement benefit obligations 48
14 Assets pledged as security for own liabilities 51
15 Commitments 51
16 Capital adequacy 52
17 Classification of assets and liabilities 56
18 Assets and liabilities at fair value 58
19 Financial instruments set off on balance or subject to netting agreements 62
20 Maturity analysis for assets and liabilities 63
21 Related-party transactions 64
22 Interest-bearing securities 65
23 Credit risk disclosures 65
Auditor's report 67
Statement by the Chief Executive Officer and the Board of Directors 73
Board of Directors and Auditor 74

Nordea Eiendomskreditt AS is part of the Nordea group. Nordea is a leading Nordic universal bank. We are helping our customers realise their dreams and aspirations – and we have done that for 200 years. We want to make a real difference for our customers and the communities where we operate – by being a strong and personal financial partner. The Nordea share is listed on the Nasdaq Helsinki, Nasdaq Copenhagen and Nasdaq Stockholm exchanges. Read more about us on Nordea.com

Key financial figures – Five year overview

Summary of the income statement (NOKm)

	2021	2020	2019	2018	2017
Net interest income	2 839	2 399	1 879	1 328	1 576
Net result from items at fair value	-175	-34	-31	-25	42
Other operating income	75	74	66	33	-2
Total operating income	**2 741**	**2 439**	**1 914**	**1 337**	**1 616**
Staff costs	25	23	19	19	17
Other expenses	1 695	894	604	356	396
Total operating expenses	**1 720**	**917**	**623**	**375**	**414**
Loan losses (negative figures are reversals)	53	98	-2	6	27
Operating profit	**968**	**1 424**	**1 293**	**955**	**1 175**
Income tax expense	242	356	323	239	294
Net profit for the period	**726**	**1 068**	**970**	**717**	**881**

Summary of the balance sheet (NOKm)

	2021	2020	2019	2018	2017
Loans to the public	286 234	266 240	245 978	111 920	135 511
Allowance for loan losses	-217	-190	-103	-56	-89
Other assets	6 238	7 143	6 689	8 583	7 111
Debt securities in issue	98 134	142 744	98 124	82 564	77 731
Other liabilities	174 139	110 690	135 276	24 445	51 635
Equity	19 982	19 759	19 164	13 437	13 167
Total assets	**292 255**	**273 192**	**252 564**	**120 447**	**142 533**
Average total assets	283 425	264 935	205 635	127 959	131 021

Ratios and key figures

	2021	2020	2019	2018	2017
Basic/diluted Earnings per share (EPS), annualised basis, NOK	47,3	69,6	63,2	46,7	57,5
Equity per share[1], NOK	1 303	1 288	1 250	876	859
Shares outstanding[1], million	15,3	15,3	15,3	15,3	15,3
Return on average equity	3,7 %	5,5 %	5,5 %	5,4 %	6,9 %
Cost/income ratio	62,8 %	37,6 %	32,6 %	28,1 %	25,6 %
Loan loss ratio, annualised, basis points	1,9	3,8	-0,1	0,5	2,2
Common Equity Tier 1 capital ratio, excl. Basel I floor[1,2]	28,4 %	30,6 %	31,8 %	46,7 %	83,5 %
Tier 1 capital ratio, excl. Basel I floor[1,2]	28,4 %	30,6 %	31,8 %	46,7 %	83,5 %
Total capital ratio, excl. Basel I floor[1,2]	30,2 %	34,4 %	35,8 %	50,9 %	91,6 %
Common Equity Tier 1 capital ratio, incl. Basel I floor[1,2]	28,4 %	30,6 %	31,8 %	26,9 %	21,2 %
Tier 1 capital ratio, incl. Basel I floor[1,2]	28,4 %	30,6 %	31,8 %	26,9 %	21,2 %
Total capital ratio, incl. Basel I floor[1,2]	30,2 %	34,4 %	35,8 %	29,4 %	23,2 %
Own funds, NOKm[1]	20 328	21 489	20 789	14 615	13 923
Risk Exposure Amount incl. Basel I floor[1], NOKm	67 392	62 546	58 023	49 748	59 927
Number of employees (full-time equivalents)[1]	19,5	17,5	16,5	15,5	15,5

[1]At the end of the period.

[2] The Basel I floor is no longer applicable from Q4 2019 due to CRR implementation in Norway.

Board of Directors' Report

Introduction

Nordea Eiendomskreditt AS was first incorporated in 1927 as a credit association known as Norges Hypotekforening for Næringslivet. During the course of autumn 2009, the company's commercial property lending activities were sold to the parent bank, Nordea Bank Norge ASA. With effect from 2010 the company has operated solely as a mortgage credit institution, licenced by the Norwegian Financial Supervisory Authority (FSA) to issue covered bonds. The business objective is to grant and acquire residential mortgage loans and loans to holiday homes, including secured construction loans, and to finance its lending activities mainly by issuing of covered bonds. The mortgage loans in the portfolio are originated directly from own balance sheet or bought from the parent bank and amounts to NOK 286 billion at the end of 2021. Nordea Eiendomskreditt is part of the Personal Banking Business Area in Nordea.

Nordea Eiendomskreditt AS is domiciled in Oslo, and its business registration number is 971 227 222.

The company's share capital is NOK 1,718m, made up of 15,336,269 ordinary shares, each of nominal value NOK 112. The entire issued share capital is owned by Nordea Bank Abp.

Comments on the Income statement

(previous year's figures are shown in brackets)

Income

Total operating income in 2021 was NOK 2,741m (NOK 2,439m) which was an increase of 12%, mainly driven by higher Net interest income. Net interest income was NOK 2,839m in 2021 (NOK 2,399m). The increase is due to higher lending margins and higher loan portfolio, with average lending volume 8% higher in 2021.

Net fee and commission income was NOK 75m in 2021 (NOK 74m). Commission expense includes provision related to a Liquidity Transfer and Support agreement with the parent bank.

Net result from items at fair value ended at a cost of NOK 175m in 2021 (cost of NOK 34m). In accordance with IFRS, net result from items at fair value includes both realized gain/loss from buy-backs of own bonds, as well as fair value changes of interest rate swaps and the corresponding hedged items (fixed-rate lending and fixed-rate bonds) in the hedge portfolio, due to changes in market rates. Of the net result from items at fair value, a gain of NOK 10.8m in 2021 (loss of NOK 21.3m) is related to interest-bearing securities and derivatives held for economic hedging.

Expenses

Total operating expenses were NOK 1,720m in 2021 (NOK 917m), whereof NOK 25 million (NOK 23 million) is staff related. The number of employees at the end of 2021 was 20 (18). Other operating expenses are mainly related to services bought from the parent bank, such as sales and distribution of mortgage loans, management of the loan portfolio and customer contact, as well as funding, risk control, accounting, reporting and IT related services. Nordea Eiendomskreditt AS does not incur any costs for research and development (R&D) activities.

Nordea group and Nordea Eiendomskreditt have updated the transfer pricing method applied to internal sales and distribution services bought from Nordea Bank, Norwegian Branch in line with the development of OECD guidelines on transfer pricing and local tax practice. The updated methodology has entailed significant pricing adjustments, resulting in increased expenses. The cost/income ratio for 2021 was 62.8% compared to 37.6% last year.

Loan losses

Net loan losses and provisions recognised in the accounts for 2021 were NOK 53m (NOK 98m), covering both realised loan losses and changes in loan loss allowances. This corresponds to a loan loss ratio of 1.9 basis points (3.8 bps). Realised loan losses were NOK 29m (NOK 8m). Loan loss allowances have increased from NOK 190m at the beginning of the year to NOK 217m at the end of the year, whereof management judgement allowances constitutes NOK 38 million at the end of 2021 (NOK 108 million). Management judgement allowances of NOK 70 million have been released during 2021 and captured in the model based allowances as the models have been enhanced. The increase in total allowances during 2021 is mainly related to model based loan loss provisions in Stage 2 and 3, while there is a decrease in allowances in Stage 1. See note 7 and note 9 for further information about loan losses and impairment.

Nordea Eiendomskreditt will continue to take appropriate actions to release management judgements as respective losses are realised or captured by Nordea's models, whilst maintaining in place an adequate total collective allowance for loan losses.

Taxes

Taxes for the year amounted to NOK 242m, of which NOK 218m relates to tax payable and NOK 24m due to changes in deferred tax.

Net profit

Net profit for the year amounted to NOK 726m (NOK 1,068m). This gives a return on average equity of 3.7% (5.5%).

Comments on the Balance sheet

Assets and lending activities

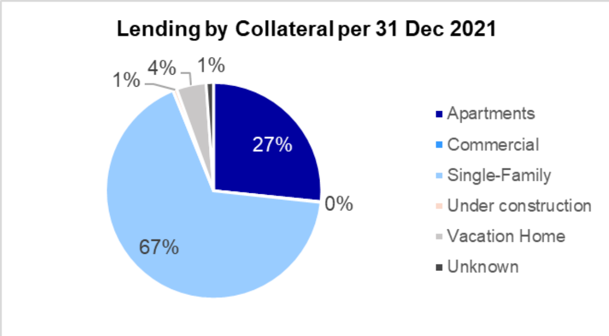
Gross lending to customers at 31 December 2021 amounted to NOK 286bn (NOK 266bn) and consists only of residential mortgage loans and loans to holiday homes including constructions loans, used as collateral in securing the covered bonds issued by the company. NOK 213bn of the loan portfolio is included 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 118.5% in relation to the covered bonds issued. See note 11 "Cover pool" for further information.

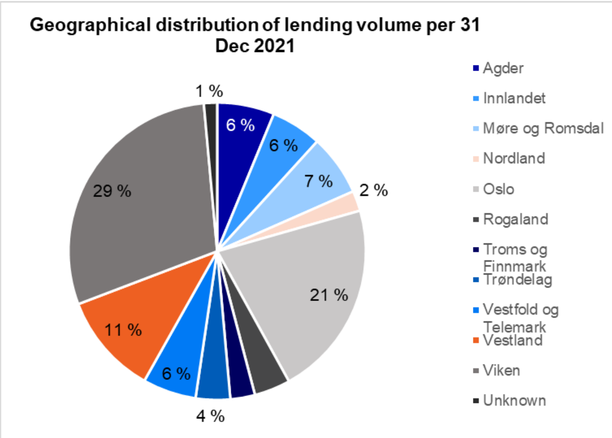
The cover pool has a weighted indexed loan-to-value ratio of 49.8% at the end of 2021 (50.4%). The average loan size was NOK

1,993m (NOK 1,831m). The cover pool is split between 62% amortizing loans and 38% flex loans, compared to 61% and 39% at end of last year.

Concentration risk in the loan portfolio

Nordea Eiendomskreditt's mortgage loans and collaterals have a good geographical spread with a major part concentrated around the 5 largest Norwegian cities. See the figures below for more detailed information on the loan portfolio split by collateral and geography.





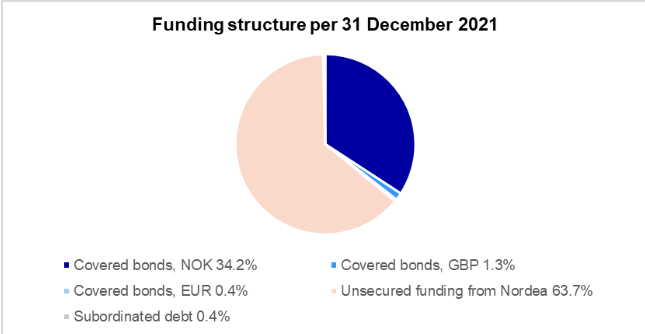
Liabilities and funding activities

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), 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 hold a license from the Norwegian FSA and whose articles of association comply with certain mandatory requirements. The cover pool in Nordea Eiendomskreditt consists only of Norwegian residential mortgage loans and loans to holiday homes in Norway.

During 2021 Nordea Eiendomskreditt has issued covered bonds amounting to NOK 14.8bn in the Norwegian domestic market under its NOK 150bn domestic covered bond program, whereof NOK 7bn was issued as the Nordea group's first green covered bond. Issuance is done via taps of outstanding bonds and new bonds via designated dealers. During 2021 bonds amounting to NOK 59.6bn have matured or been bought back, including NOK 36 billion issued in April 2020 and retained in the parent bank. As of 31 December 2021, Nordea Eiendomskreditt had outstanding covered bonds totalling NOK 92.4bn in the Norwegian market, GBP 0.3bn in the British market and EUR 0.1bn in the European market. Nordea Eiendomskreditt had also subordinated debt outstanding to the amount of NOK 1.1bn.

In addition to the covered bond funding Nordea Eiendomskreditt also raised unsecured funding from the parent bank. At the end of 2021 such borrowings amounted to NOK 172bn.

See the below figure for breakdown of the company's funding.



Equity

Allocation of net profit for the year

Nordea Eiendomskreditt AS reported an operating profit for the year of NOK 968m, and a net profit after tax for the year of NOK 726m. The Board of Directors will propose to the Annual General Meeting on 10 March 2022 that the company distributes 100% of net profit as dividend to the parent company Nordea Bank Abp.

According to IFRS, distribution of group contributions and dividends will not be booked before formal decision is made in the Annual General Meeting. All net profit as of 31 December 2021 is therefore distributed to retained earnings in the balance sheet as of 31 December 2021. The Board of Nordea Eiendomskreditt is of the view that total equity and capital adequacy following the allocation will be sound, and well in excess of the minimum requirements subject to CRR and CRD IV, implemented in Norway on 31 December 2019.

Off-balance sheet commitments

The company's business operations include different off-balance sheet items. Interest rate and currency swaps are used to hedge interest rate and currency risk. At the close of 2021, the company was party to interest rate swaps with a nominal value of NOK 57.8bn.

Nordea Eiendomskreditt has covered bonds totalling GBP 0.3bn issued in the British market and EUR 0.1bn issued in the European market. In order to eliminate the foreign exchange risk, the company has entered into currency swaps of the same amount. Counterparties to all derivative contracts are Nordea group internal. For total exposure regarding off-balance sheet commitments, see note 10 “Derivatives and hedge accounting” and note 15 “Commitments”.

Other information

The Board’s expectations for the year were, in all major respects, achieved.

The Board of Directors confirms the assumption that Nordea Eiendomskreditt AS is a going concern and the annual accounts have been prepared based on this assumption.

Nordea Direct Boligkreditt merger

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

Impact of the Covid-19 pandemic

2021 was marked by the Covid-19 pandemic, and Nordea’s Global Crisis Management Team continued to monitor the situation in each of the Nordic countries throughout the year. Information on the financial and operational impacts of the Covid-19 pandemic on Nordea Eiendomskreditt, as well as the measures taken to address these impacts, have been provided in various sections of this Annual Report. See the section “Risk and uncertainties”, Note 1 “Accounting policies”, Note 2 section “Credit risk management” and Note 9 “Loans and impairment”.

Rating

The covered bonds issued by Nordea Eiendomskreditt are rated Aaa by Moody’s Investors’ Service.

Risks and risk management

Maintaining risk awareness in the organization is engrained in Nordea Eiendomskreditt’s business strategies. The Nordea group has defined clear risk, liquidity and capital management frameworks, including policies and instructions for different risk types, capital adequacy and capital structure, which have been implemented by Nordea Eiendomskreditt.

The Board has the overarching risk management responsibility and decides on Nordea Eiendomskreditt’s risk strategy and the Risk Appetite Framework. For further information see note 2 “Risk and liquidity management”.

Risks and uncertainties

Within the framework of its normal business operations Nordea Eiendomskreditt faces various risks and uncertainties. These risks and uncertainties include but are not limited to;

- Credit risk - Loss due to failure of the borrower(s) to meet their obligations;
- Counterparty credit risk - Loss because NE’s counterparty in an interest or currency derivative contract defaults prior to maturity of the contract;
- Market risk - Loss in NE’s positions in the non-trading book as a result of changes in market rates and parameters that affect market values or net interest income flows;
- Operational risk - Loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk;
- Compliance risk – failure to comply with regulations and related internal rules, potentially resulting in criticism, reputational loss or fines;
- Financial reporting risk - Risk of misstatements or deficiencies in financial reporting and regulatory reporting and disclosures;
- Liquidity risk - NE’s ability to service its cash flow obligations related to lending, investment, funding, off-balance sheet exposures, or its ability to meet its cash flow obligations without incurring significant additional funding costs;
- Environmental, social and governance (ESG) risks;

Including on- and off -balance sheet exposures and exposures related to securities, the total credit risk exposure at year end was NOK 320.1bn (NOK 297.8bn last year). Credit risk exposure includes the risk related to derivative contracts, which was NOK 0.6bn at year end of 2021 (NOK 1.4bn). Conterparty credit risk exposure at the end of 2021 was NOK 302m (NOK 341m).

Market risk is measured through Structural Interest Income Risk (SIIR)/Economic Value (EV). At the end of the year, the loss for SIIR was NOK 91.2m for the 50 bp down scenario (NOK 128.8m). The most severe impact from the Basel scenarios on EV was NOK 162.3m loss at end of year 2021 (NOK 706.7m).

Short-term liquidity risk is limited via the Liquidity Coverage Ratio (LCR) as well as the internal parameters Liquidity Stress Coverage (LSC) and Liquidity Stress Horizon (LSH). Long-term structural liquidity risk is limited via the Net Stable Funding Ratio (NSFR). At the end of 2021 the liquidity metrics were;

LCR: 462% (1262%)
LSC: 169% (178%)
LSH: 165 days (166 days)
NSFR: 107.5% (112.5%).

Being an issuer of covered bonds, the company is also exposed to changes in the residential property market and the market for holiday homes. A decline in housing prices will reduce the value of the company’s cover pool for the purpose of calculating the regulatory asset coverage requirement. Quarterly stress tests are carried out to estimate the effects of declining prices for residential properties and holiday homes. At the end of 2021 the over-collateralization (OC) was 118.5%, meaning that the company can withstand a significant price drop without breaching the regulatory OC requirement of 2.0%.

A drop in house prices will also increase the credit risk and may lead to increased loan losses in case of default, due to decreased value of the collateral.

There are significant risks caused by the Covid-19 pandemic given the uncertainty of the economic impact on the Norwegian mortgage market. Depending on future developments, potential adverse impacts on income could arise due to lower net interest income and increased loan losses. Potential future credit risk losses are addressed in Note 9 “Loans and impairment” and in the section “Credit risk management” in Note 2.

The Norwegian economy rebounded strongly in 2021 after the stringent restrictions were eased. Mainland GDP was 3.1% higher in November 2021 compared with the level before the pandemic. Registered unemployment fell to 2.3% (seasonally adjusted) at the end of December 2021, close to the level before the pandemic. The outbreak of the Omicron variant in Norway has led to some restrictions that have curbed growth; however, the restrictions should not materially impact the economy. Now that the economy has normalised, Norges Bank is increasing interest rates. The central bank increased the key rate from 0.25% to 0.5% in December and signalled that it would most likely raise the rate to 0.75% in March 2022. The latest prognosis from the central bank is for the key rate to climb to 1.25% at the end of 2022. After a strong start to the year, house prices developed moderately and rose 5.2% year on year in December 2021. The Norwegian krone has moved in tandem with oil prices and is close to the levels at the beginning of 2021.

Further information on the company's risk exposure and risk management can be found in Note 2 "Risk and liquidity management" and Note 23 "Credit risk disclosures".

Capital management

Nordea strives to be efficient in its use of capital and therefore actively manages its balance sheet with respect to assets, liabilities and risk. Nordea Eiendomskreditt reports risk exposure amounts according to applicable external regulations (CRR/CRD IV), which stipulate the limits for the minimum capital (the capital requirement). During 2020, several recommendations on dividends during the Covid-19 pandemic were published by EU regulators, as well as from the Norwegian Ministry of Finance. On 7 September 2021, the Norwegian Ministry of Finance published information that dividend restrictions ceased to apply after 30 September 2021.

Minimum capital requirements

Risk exposure amount (REA) is calculated in accordance with CRR/CRD IV. Nordea Eiendomskreditt had 99.4% of its REA for credit risk covered by internal rating based (IRB) approaches by the end of 2021. Rating and scoring are key components in the credit risk management. For operational risk the standardised approach is applied.

Internal capital requirement

Nordea Eiendomskreditt bases its internal capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) on risks defined by CRR/CRD IV, and risks internally defined under Pillar 2.

The following major risk types are included in the internal capital requirement: credit risk, market risk, operational risk, interest rate risk in the banking book and business risk.

The ICAAP also describes Nordea Eiendomskreditt's management, mitigation and measurement of material risks and assesses the adequacy of internal capital by defining internal capital requirements reflecting the risk of the institution. As a complement to the ordinary credit risk quantification, comprehensive stress testing is performed at least annually in accordance with current requirements, after which capital requirements are measured. Regulatory buffers were introduced with the implementation of the CRR/CRD IV rules.

Own funds

Own funds is the sum of tier 1 and tier 2 capital. Tier 1 capital consists of both common equity tier 1 (CET1) and additional tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbance characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend.

Additional tier 1 and tier 2 capital consist mostly of undated and dated subordinated loans, respectively. Holdings of other financial sector entities' subordinated loans are deducted from the corresponding tier.

Summary of items included in own funds

NOKm	31 Dec 2021	31 Dec 2020
Equity[1]	19 982	19 759
Proposed/actual dividend	-726	-534
Common Equity Tier 1 capital before regulatory adjustments	19 257	19 225
IRB provisions shortfall (-)	-130	-136
Other items, net	8	40
Total regulatory adjustments to Common Equity Tier 1 capital	-122	-97
Common Equity Tier 1 capital (net after deduction)	**19 135**	**19 128**
Additional Tier 1 capital before regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital		
Additional Tier 1 capital		
Tier 1 capital (net after deduction)	**19 135**	**19 128**
Tier 2 capital before regulatory adjustments	1 100	2 300
IRB provisions excess (+)	93	61
Other items, net		
Total regulatory adjustments to Tier 2 capital	93	61
Tier 2 capital	1 193	2 361
Own funds (net after deduction)[2]	**20 328**	**21 489**

[1] Including profit for the period

[2] Own Funds adjusted for IRB provision, i.e. adjusted own funds equal NOK 20,365m by 31 Dec 2021

Capital position and risk-weighted exposure

Nordea Eiendomskreditt's Common Equity Tier 1 capital ratio was 28.4% at the end of 2021, a decrease of 2.2 percentage points from the end of last year. Total Capital ratio decreased 4.2 percentage points to 30.2%.

Risk Exposure Amount (REA) was NOK 67,392m, an increase of 7.7% compared to the end of last year (NOK 62,546m). The main driver for the increase in REA was the IRB retail portfolio, primarily stemming from a growth rate of loans to the public of 7.5% during 2021.

Own Funds was NOK 20,328m at the end of 2021, of which NOK 1,100m is a subordinated loan.
The Tier 1 capital and the Common Equity Tier 1 capital were NOK 19,135m (no additional Tier 1 capital).

Further information - Note 16 Capital adequacy and the Capital and Risk Management Report (Pillar 3 report)

Further information on capital management and capital adequacy is presented in Note 16 "Capital adequacy" and in the Capital and Risk Management Report at www.nordea.com.

Regulatory development

The Capital Requirement Directive IV (CRD IV) and Capital Requirement Regulation (CRR) entered into force on 1 January

2014 followed by the Bank Recovery and Resolution Directive (BRRD) on 15 May 2014. The CRR became applicable in all EU countries from 1 January 2014 while the CRD IV and BRRD were implemented through national law within all EU member states from 2014. The three EEA EFTA countries Norway, Iceland and Lichtenstein, have different legal structures compared to the EU, thus a parallel implementation with the EU is seldom feasible. The CRR and CRD IV were implemented in Norway on 31 December 2019.

In June 2019, the 'banking package' containing revisions to the BRRD, the CRD and the CRR was adopted.

In the EU, the revised CRD (CRD V) and BRRD (BRRD II) applied from 28 December 2020, while the majority of the changes in the CRR (CRR II) applied from 28 June 2021. In Norway, the implementation of the 'banking package' is expected during H1 2022.

The new European Covered Bond Directive and Regulation include a harmonised EU framework for covered bonds, including common definitions, supervision and rules for allowing the use of 'European Covered Bonds' label including conditions to be granted preferential capital treatment. Norwegian Authorities intend to implement the framework at the same time as the EU, from 8 July 2022.

Regulatory minimum capital requirements

The CRR requires banks to comply with the following minimum capital requirements in relation to REA:

- CET1 capital ratio of 4.5%
- Tier 1 capital ratio of 6%
- Total capital ratio of 8%

Capital buffers

To mitigate the effect of the Norwegian implementation of the CRR and CRD IV, changes to the systemic risk buffer (SRB) was implemented from 31 December 2020. The previous SRB of 3% for all Norwegian banks was changed to a SRB of 4.5% for all Norwegian exposures. The Norwegian Ministry of Finance requested the European Systemic Risk Board (ESRB) to issue a recommendation to other EEA states to reciprocate the measures. On 26 May 2021, the ESRB recommended reciprocation within 18 months but also recognises the regulatory differences between Norway and EU, why reciprocation should take into account any overlaps or differences in regulations. On 19 August 2021, the Finnish FSA stated that the decision on the application of the Norwegian SRB will be taken at a later stage and enter into force 12 months after the decision is taken.

In Norway risk weight floors for residential real estate of 20% and for commercial real estate of 35% according to article 458 of the CRR applied from 31 December 2020. On 19 August 2021, the Finnish FSA decided to reciprocate the floors from 11 September 2021.

In March 2020, the countercyclical buffer rate was decreased due to Covid-19. In Norway it has been decided to increase again from the current 1% to 1.5% from June 2022 and then to be further increased to 2.0% from 31 December 2022.

On 1 July 2021, the Ministry of Finance decided that Nordea Eiendomskreditt, together with two other banks should be identified as systemically important institutions (O-SII). According to the thresholds for being O-SII, Nordea Eiendomskreditt will be subject to a 1% O-SII buffer requirement, applicable from 30 June 2022.

Finalisation of Basel III framework ("Basel IV")

Basel III is a global regulatory framework on bank capital adequacy, stress testing, and liquidity risk. In December 2017, the finalised Basel III framework, often called the Basel IV package, was published. The Basel IV package was supposed to be implemented in 2022, but was postponed until 2023 due to Covid-19, and includes revisions to credit risk, market risk, operational risk, credit valuation adjustment (CVA) risk, leverage ratio and introduces a new output floor.

Before being applicable to Nordea, the Basel IV package needs to be implemented into EU regulations. On 27 October 2021, the proposal for the implementation into EU regulations was published by the European Commission by amendments to the CRD and CRR. The proposal from the Commission is to set the start date to 1 January 2025. The proposal is currently subject to negotiations between the Commission, the Council and the Parliament before the final set of regulations are decided.

On credit risk, the package includes revisions to both the IRB approach, where restrictions to the use of IRB for certain exposures are implemented, as well as to the standardised approach. Also for market risk, the internal model approach and the standardised approach have been revised. For operational risk, the three existing approaches will be removed and replaced by one standardised approach to be used by all banks. On CVA risk, the internally modelled approach is removed and the standardised approach is revised.

The output floor is to be set at 72.5% of the standardised approaches on an aggregate level, meaning that the capital requirement under the floor will be 72.5% of the total Pillar 1 REA calculated with the standardised approaches for credit, market and operational risk. The floor will be phased in, starting with 50% from 2025 to be fully implemented at 72.5% from 1 January 2030, and with transitional rules for the calculation of the REA for the output floor extending to end 2032.

Corporate governance

Section 3-3b of the Norwegian Accounting Act (regnskapsloven) requires disclosures of the composition and nomination of the Board of Directors and a description of internal control and risk management regarding financial reporting.

Articles of association regulating the Board of Directors

According to Nordea Eiendomskreditt's articles of association, last amended at 12 March 2020, the Board comprises a minimum of 5 members who are elected by the Annual General Meeting. The chairman of the Board shall be elected by separate ballot.

According to section 8-5 of the Financial Undertakings Act (finansforetaksloven), at least one fourth of the board of directors must be external members. According to internal guidelines both genders shall be represented. Further information on the composition of the Board of Directors is disclosed at page 74.

Board and CEO insurance

Section 3-3a of the Norwegian Accounting Act (regnskapsloven) requires disclosures of insurance coverage for board members and the CEO of the company. Nordea Eiendomskreditt is covered by the Nordea group insurance covering the personal liabilities of its management (e.g. board members, CEO). The policy limit is in line with good standard for global banks.

Financial reporting risk management

Financial reporting risk (FRR) is defined as the risk of misstatements or deficiencies in financial reporting, regulatory reporting and disclosures. An internal control framework for managing financial reporting risk is in place, which provides the structure and standards for designing, operating and evaluating the system of internal control over financial reporting across the Nordea group. The framework is the mechanism through which management expresses its various assertions over its financial statements. Group Risk is the risk control function for financial reporting risk and is responsible for the independent monitoring, assessment and oversight of the risks and the group's implementation of the framework. A self-assessment of the effectiveness of key controls for Nordea Eiendomskreditt is conducted with the purpose of ensuring proper monitoring of the quality of the financial reporting. The CFO reports specifically on self-assessment outcomes, to the Board/Board Risk Committee on a quarterly basis.

Further disclosures regarding corporate governance and internal control can be found in Note 2 "Risk and liquidity management".

People and working environment

Working in Nordea means working at a relationship bank in which everyone is responsible for supporting great customer experiences. This is why attracting, developing and maintaining highly motivated people are among our main priorities.

Nordea Eiendomskreditt is part of the Nordea group's processes for leadership and employee development, including training programmes, performance dialogues and employee satisfaction surveys. Gender diversity and equal opportunities are an integrated part of the development of the organisation and its employees.

At the end of 2021 Nordea Eiendomskreditt AS had 20 (18) employees. Staffing was equivalent to 19.5 (17.5) full time positions. Services related to sales and distribution of mortgage loans, management of the loan portfolio, customer contact, funding and risk management, accounting and reporting are purchased from other units in the Nordea group. In line with the Nordea group organisation, the company was reorganized from 1 January 2017, as the company was assigned the product responsibility for Norwegian mortgage loans.

Absence due to sickness during 2021 was 1.75% (1.52%). A total of 82 (70) working days were lost to sickness in 2021. There are no reports of work-related personnel injuries as caused by accidents or other incidents in Nordea Eiendomskreditt in 2021. The working environment is considered to be good.

Information on remuneration to the company's employees and officers can be found in Note 5 "Staff costs".

Gender equality and diversity

50% of the employees in Nordea Eiendomskreditt and 50% of the members of the management Group are female. Also the Board composition at the end of 2021 is a 50% split between women and men. The Board and management take a proactive approach to promoting equal opportunity in the Company. The Company follows the Nordea group's guidelines and regulations concerning corporate social responsibility, including those relating to discrimination/diversity and ethics.

Legal proceedings

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

Subsequent events

No events have occurred after the balance sheet date, which may materially affect the assessment of the annual financial statements of Nordea Eiendomskreditt.

Sustainability

As part of the Nordea group, Nordea Eiendomskreditt is committed to sustainable business and development by combining financial performance with environmental and social responsibility as well as sound governance practices. We work to engage with customers on environmental, social and governance matters and to have an understanding of the challenges and opportunities faced by customers. Nordea has developed a long-term plan to fully integrate sustainability into its business strategy focusing on the sustainability topics where Nordea can have a material impact.

It is at a core of our business to develop and supply financial services and offerings that support sustainable development by enabling customers to make conscious sustainable choices (https://www.nordea.com/en/sustainability/sustainable-choice).

In Nordea Eiendomskreditt this has resulted in the first Nordea issuance of green covered bonds, and also product offering of green mortgage loans for energy efficient dwellings.

Nordea Eiendomskreditt's operations result in minimal pollution of the environment.

Outlook for 2022

During 2022, Nordea Eiendomskreditt AS will work to ensure a successful merger with Nordea Direct Boligkreditt AS. In the context of Covid-19, Nordea Eiendomskreditt AS will continuously monitor the economic outlook and the behaviour of own lending portfolios in order to react timely to adverse developments. We expect moderate growth in house prices in 2022.

Depending on the growth in housing prices and recovery from the pandemic, we are expecting 3-4 interest rate hikes by the Norwegian Central Bank in 2022.

Nordea Eiendomskreditt AS
Oslo, 11 February 2022

Marte Kopperstad
Chair

Gro Elisabeth Lundevik
Vice Chair

Ola Littorin
Board member

Alex Madsen
Board member

Pål Ekberg
Board member

Anne Sofie Knoph
Employee representative

Børre S. Gundersen
Chief Executive Officer

Income statement

NOKt	Note	Year 2021	Year 2020
Operating income			
Interest income calculated using the effective interest rate method	3, 21	4 890 038	5 491 474
Other interest income		27 394	51 735
Interest expense	3, 21	2 078 100	3 144 447
Net interest income		**2 839 331**	**2 398 762**
Fee and commission income		101 510	94 830
Fee and commission expense		26 534	20 578
Net fee and commission income		**74 976**	**74 252**
Net result from items at fair value	4, 21	**-174 815**	**-34 092**
Other income		**1 470**	**555**
Total operating income		**2 740 962**	**2 439 477**
Staff costs	5, 13	24 934	22 954
Other expenses	6, 21	1 695 118	894 103
Depr/amortisation and impairment charges		84	74
Total operating expenses before loan losses		**1 720 137**	**917 131**
Profit before loan losses		**1 020 825**	**1 522 346**
Loan losses	7	53 006	98 290
Operating profit before tax		**967 819**	**1 424 056**
Income tax expense	8	241 960	356 245
Net profit for the period		**725 860**	**1 067 811**
Attributable to:			
Shareholder of Nordea Eiendomskreditt AS		725 860	1 067 811
Total		**725 860**	**1 067 811**

Statement of comprehensive income

NOKt	Year 2021	Year 2020
Net profit for the period	**725 860**	**1 067 811**
Items that may be reclassified subsequently to the income statement		
Cash flow hedges:		
Valuation gains/losses	39 745	19 470
Tax on valuation gains/losses	-9 936	-4 868
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of defined benefit plans	2 076	-4 852
Tax on remeasurement of defined benefit plans	-519	1 213
Other comprehensive income, net of tax	**31 365**	**10 964**
Total comprehensive income	**757 225**	**1 078 775**
Attributable to:		
Shareholders of Nordea Eiendomskreditt AS	757 225	1 078 775
Total	**757 225**	**1 078 775**

Balance sheet

NOKt	Note	31 Dec 2021	31 Dec 2020
Assets			
Loans to credit institutions	21	397 796	471 612
Loans to the public	7, 9, 11, 14	286 016 966	266 049 251
Interest-bearing securities	22	5 205 173	5 181 071
Derivatives	10, 19, 21	648 759	1 423 059
Fair value changes of the hedged items in hedges of interest rate risk		-17 024	28 490
Property and Equipment owned and RoU		213	191
Other assets		-78	0
Accrued income and prepaid expenses		2 656	38 308
Total assets		**292 254 460**	**273 191 982**
Liabilities			
Deposits by credit institutions	12, 21	172 189 971	106 938 866
Debt securities in issue	12, 14, 21	98 133 486	142 743 573
Derivatives	10, 19, 21	59 611	39 218
Fair value changes of the hedged items in hedges of interest rate risk		161 100	795 070
Current tax liabilities	8	218 311	383 359
Other liabilities		9 231	9 050
Accured expenses and prepaid income	21	239 471	94 018
Deferred tax liabilities	8	130 340	96 236
Provisions		2 731	4 582
Retirement benefit liabilities	13	26 007	27 703
Subordinated loan capital	21	1 101 826	2 301 732
Total liabilities		**272 272 085**	**253 433 406**
Equity			
Share capital	21	1 717 662	1 717 662
Share premium	21	8 815 965	8 815 965
Other reserves		-28 085	-59 451
Retained earnings		9 476 833	9 284 400
Total equity		**19 982 375**	**19 758 576**
Total liabilities and equity		**292 254 460**	**273 191 982**
Assets pledged as security for own liabilities	14	212 536 647	184 644 537
Commitments	15	27 874 717	24 650 647

Nordea Eiendomskreditt AS

Oslo, 11 February 2022

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Vice Chair

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Board member

Alex Madsen
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Board member

Pål Ekberg
Board member

Anne Sofie Knoph
Employee representative

Børre S. Gundersen
Chief Executive Officer

Statement of changes in equity

NOKt	Share capital[1]	Share premium	Other reserves: Cash flow hedges	Other reserves: Defined benefit plans	Retained earnings	Total equity
Balance at 1 January 2021	**1 717 662**	**8 815 965**	**-44 753**	**-14 697**	**9 284 400**	**19 758 576**
Net profit for the year					725 860	725 860
Items that may be reclassified subsequently to the income statement						
Cash flow hedges:			39 745			39 745
Valuation gains/losses			-9 936			-9 936
Tax on valuation gains/losses						
Items that may not be reclassified subsequently to the income statement						
Defined benefit plans:						
Remeasurement of defined benefit plans				2 076		2 076
Tax on remeasurement of defined benefit plans				-519		-519
Other comprehensive income, net of tax	0	0	29 809	1 557	0	31 365
Total comprehensive income	0	0	29 809	1 557	725 860	757 225
Contribution and distribution						
Share Based Payment Programme EIP					574	574
Dividend paid					-534 000	-534 000
Balance at 31 December 2021	**1 717 662**	**8 815 965**	**-14 944**	**-13 141**	**9 476 834**	**19 982 375**

NOKt	Share capital[1]	Share premium	Other reserves: Cash flow hedges	Other reserves: Defined benefit plans	Retained earnings	Total equity
Balance at 1 January 2020	**1 717 662**	**8 815 965**	**-59 356**	**-11 058**	**8 701 191**	**19 164 403**
Net profit for the year					1 067 811	1 067 811
Items that may be reclassified subsequently to the income statement						
Cash flow hedges:			19 470			19 470
Valuation gains/losses			-4 868			-4 868
Tax on valuation gains/losses						
Items that may not be reclassified subsequently to the income statement						
Defined benefit plans:						
Remeasurement of defined benefit plans				-4 852		-4 852
Tax on remeasurement of defined benefit plans				1 213		1 213
Other comprehensive income, net of tax	0	0	14 603	-3 639	0	10 964
Total comprehensive income	0	0	14 603	-3 639	1 067 811	1 078 775
Contribution and distribution						
Share Based Payment Programme EIP					298	298
Dividend paid					-484 900	-484 900
Balance at 31 December 2020	**1 717 662**	**8 815 965**	**-44 753**	**-14 697**	**9 284 400**	**19 758 576**

[1] The company's share capital at 31 December 2021 was tNOK 1.717.662,-. The number of shares was 15 366 269, each with a quota value of NOK 112.

All shares were owned by Nordea Bank AB (publ) until 30 September 2018, and by Nordea Bank Abp from 1 October 2018.

[2] Capital contribution due to a share based payments program in accordance with IFRS 2.

Cash flow statement

NOKt	Year 2021	Year 2020
Operating activities		
Operating profit before tax	967 819	1 424 056
Adjustments for items not included in cash flow	24 539	90 178
Income taxes paid	-383 359	-317 470
Cash flow from operating activities before changes in operating assets and liabilities	**608 999**	**1 196 764**
Changes in operating assets		
Change in loans to the public	-19 994 101	-19 929 696
Change in interest-bearing securities	-24 102	65 767
Change in derivatives, net	794 693	-738 123
Change in other assets	81 222	-40 816
Changes in operating liabilities		
Change in deposits by credit institutions	65 251 106	-25 029 556
Change in debt securities in issue	-44 610 087	44 619 906
Change in other liabilities	-448 212	545 502
Cash flow from operating activities	**1 659 518**	**689 747**
Financing activities		
Repayment of subordinated loan capital	-1 199 906	-922
Dividend paid	-534 000	-484 900
Share Based Payment Programme (EIP)	573	299
Cash flow from financing activities	**-1 733 333**	**-485 523**
Cash flow for the period	**-73 816**	**204 224**
Cash and cash equivalents at 1 January (Loans to credit institutions)	471 612	267 389
Cash and cash equivalents at 31 December (Loans to credit institutions)	397 796	471 612
Change	**-73 816**	**204 224**

Comments on the cash flow statement

The cash flow statement show s inflow s and outflow s of cash and cash equivalents during the year. Nordea Eiendomskreditt's cash flow has been prepared in accordance w ith the indirect method, w hereby operating profit is adjusted for effects of non-cash transactions such as loan losses. The cash flow s are classified by operating, investing and financing activities.

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

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

NOKt	Year 2021	Year 2020
Interest payments received	5 098 393	5 730 834
Interest expenses paid	-2 121 157	-3 514 244

Financing activities are activities that result in changes in equity and subordinated liabilities, such as new issues of shares, group contribution paid or received and issued/amortised subordinated liabilities.

Cash and cash equivalents comprise loans to finance institutions w ith no fixed maturity (bank deposits).

Notes to the financial statements

Note 1

Accounting policies

Table of contents

1. Basis for presentation
2. Changed accounting policies and presentation
3. Changes in IFRSs not yet applied
4. Critical judgements and estimation uncertainty
5. Recognition of operating income and impairment
6. Recognition and derecognition of financial instruments on the balance sheet
7. Translation of assets and liabilities denominated in foreign currencies
8. Hedge accounting
9. Determination of fair value of financial instruments
10. Financial instruments
11. Loans to the public/credit institutions
12. Taxes
13. Earnings per share
14. Employee benefits
15. Equity
16. Related party transactions
17. Exchange rates

1.Basis for presentation

The financial statements of Nordea Eiendomskreditt AS are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU Commission. In addition, certain complementary rules in the Norwegian Accounting Act with supported regulation have also been applied.

The disclosures required by the standards, recommendations and legislation above have been included in the notes, in the Risk, Liquidity and Capital management section or in other parts of the financial statements.

On 11 February 2022 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 10 March 2022.

The accounting policies, basis for calculations and presentations are unchanged in comparison with the Annual Report 2020, except from changed accounting policies and presentation described below in the section "Changed accounting policies and presentation".

2.Changed accounting policies and presentation

The new accounting requirements implemented during 2021 and their impact on the financial statements of Nordea Eiendomskreditt are described below.

Interest Rate Benchmark Reform – Phase 2

In 2020 the International Accounting Standards Board (IASB) published amendments to International Financial Reporting Standard (IFRS) 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in Interest Rate Benchmark Reform – Phase 2. Phase 2 of the interbank offered rate (IBOR) reform includes three major areas: hedge accounting, modifications and disclosures. The amendments were implemented by Nordea Eiendomskreditt on 1 January 2021. Hedge relationships in Nordea Eiendomskreditt can continue as before and no material modification gains or losses have been recognised.

The amendments clarify that hedge accounting does not have to be discontinued in the event that hedged items and hedging instruments are modified due to the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Any valuation adjustments resulting from the amendments are recognised as part of hedge ineffectiveness.

Modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis are not accounted for as modifications to instruments measured at amortised cost. For such modifications, the effective interest rate is amended in line with the modified cash flows.

3.Changes in IFRSs not yet applied

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

In 2021 the IASB published amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The standard is not yet endorsed by the EU and Nordea Eiendomskreditt does not currently intend to adopt it early. The gross deferred tax assets and liabilities will be disclosed, but will be set off on the balance sheet if such requirements are met. Consequently, the current assessment of Nordea Eiendomskreditt is that the amendments will not have any significant impact on the financial statements or on the capital adequacy in the period of initial application.

Other changes in IFRS

The IASB has published the following new or amended standards that are assessed to have no significant impact on Nordea's financial statements, capital adequacy or large exposures in the period of initial application:

- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IFRS 3 Business Combinations
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- Annual improvement 2018-2020
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting estimates
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies

4. Critical judgements and estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of judgements and estimates by management. Actual outcome can later, to some extent, differ from the estimates and the assumptions made. In this section a description is made of:

- the sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, and
- the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant impact on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments (hedging portfolio)
- the impairment testing of loans to the public
- the effectiveness testing of cash flow hedges
- critical judgements emphasized by Covid-19.

Fair value measurement of certain financial instruments

Nordea Eiendomskreditt's accounting policy for determining the fair value of financial instruments is described in section 9 "Determination of fair value of financial instruments" and Note 18 Assets and liabilities at fair value.

Critical judgements that have a significant impact on the recognised amounts for financial instruments is exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices. Those judgements relate to the following areas:

- The choice of valuation techniques.
- The determination of when quoted prices fail to represent fair value (including the judgement of whether markets are active).
- The construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk.
- The judgement of which market parameters that are observable.

The critical judgements required when determining fair value of financial instruments that lack quoted prices or recently observed market prices, also introduce a high degree of estimation uncertainty.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea Eiendomskreditt's accounting and valuation policies.

Impairment testing on loans to the public

Nordea Eiendomskreditt's accounting policy for impairment testing of loans is described in section 11 "Loans to the public/credit institutions".

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances. Nordea Eiendomskreditt's total lending before impairment allowances was NOK 286,234m (NOK 266,240m) at the end of the year. For more information, see Note 9 Loans and impairment. When calculating allowances for individually significant impaired loans, judgement is exercised to estimate the amount and timing of the expected cash flows to be received from the customers under different scenarios, including the valuation of any collateral received. Judgement is also applied when assigning the likelihood of the different scenarios occurring.

Judgement is exercised to assess when an exposure has experienced a significant increase in credit risk. If this is the case, the provision should reflect the lifetime expected losses, as opposed to a 12-month expected loss for exposures not having increased significantly in credit risk. Judgement is also exercised in the choice of modelling approaches covering other parameters used when calculating the expected losses, such as the expected lifetime used in stage 2, as well as in the assessment of whether the parameters based on historical experience are relevant for estimating future losses.

The statistical models used to calculate provisions are based on macro-economic scenarios, which requires management to exercise judgement when identifying such scenarios and when assigning the likelihood of the different scenarios occurring. Judgement is also exercised in the assessment of to what extent the parameters for the different scenarios, based on historical experience, are relevant for estimating future losses.

Effectiveness testing of cash flow hedges

Nordea Eiendomskreditt's accounting policies for cash flow hedges are described in section 8 "Hedge accounting".

One important judgement in connection to cash flow hedge accounting is the choice of method used for effectiveness testing.

Where Nordea Eiendomskreditt applies cash flow hedge accounting the hedging instruments used are predominantly cross currency interest rate swaps, which are always held at fair value. The currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. The hypothetical derivative method is used when measuring the effectiveness of these cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows on the hedged transaction (the currency component). Critical judgement has to be exercised when defining the characteristics of the perfect hypothetical swap.

Critical judgements emphasized by Covid-19

The assessment of Nordea Eiendomskreditt is that there are no significant critical judgements applied in the preparation of this annual report due to Covid-19 except for the critical judgements described above.

5. Recognition of operating income and impairment

Net interest income

Interest income and expense are calculated and recognised based on the effective interest rate method or, if considered appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using the effective interest rate method as basis for the calculation. The effective interest includes fees considered to be an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). The effective interest rate equals the rate that discounts the estimated future cash flows to the net carrying amount of the financial asset or financial liability. Interest income is calculated by applying the effective interest rate to the gross carrying amount except for credit-impaired assets. For those assets interest income is calculated by applying the effective interest rate to the amortised cost of the asset.

Interest income and expenses from financial instruments are classified as “Net interest income”.

Interest income is presented on two rows in the income statement, Interest income calculated using the effective interest rate method and Other interest income. On the row Interest income calculated using the effective interest method, Nordea Eiendomskreditt present interest income from financial assets measured at amortised cost. This line item also includes the effect from hedge accounting relating to these assets. All other interest income is presented as on the income statement row “Other interest income”.

Net fee and commission income

The company's fee income is treated as administration fees for maintaining customer accounts related to customers’ mortgage loans, and is recognised to income as part of the item ”Fee and commission income” in accordance with standard Nordea policy.

Commission expenses are mainly transaction based and recognised in the period the services are received.

Net result from items at fair value

Realised and unrealised gains and losses on financial instruments measured at fair value through profit or loss, include interest-bearing securities and derivatives and are recognised in the item “Net result from items at fair value”.

This item also includes realised gains and losses from financial instruments measured at amortised cost, such as interest compensation received and realised gains/losses on buy-backs of issued own debt.

Impairment losses from instruments within other categories than “Financial assets at fair value through profit or loss” are recognised in the item “Loan losses” (see also the sub-section “Loan losses” below).

Loan losses

Impairment losses from financial assets classified into the category “Amortised cost” (see section 10 “Financial instruments”), in the item “Loans to the public” in the balance sheet, are reported as “Loan losses”. Losses are reported net of any collateral and other credit enhancements. Nordea Eiendomskreditt’s accounting policies for the calculation of impairment losses on loans can be found in section 11 “Loans to the public/credit institutions”.

Counterparty losses on instruments classified into the category “Financial assets at fair value through profit or loss” are reported under “Net result from items at fair value”.

6. Recognition and derecognition of financial instruments on the balance sheet

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised (and an asset or a liability is recognised as “Other assets” or ”Other liabilities” on the balance sheet between trade date and settlement date) from the balance sheet on the trade date. Other financial instruments are recognised in the balance sheet on settlement date.

Financial assets, other than those for which trade date accounting is applied, are derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset expire or are transferred to another party. The rights to the cash flows normally expire or are transferred when the counterpart has performed by e.g. repaying a loan to Nordea Eiendomskreditt, i.e. on settlement date.

Loans where cash flows are modified or part of a restructuring are derecognised, and a new loan recognised, if the terms and conditions of the new loan is substantially different from the old loan. This is normally the case if the present value of the cash flows of the new loan discounted by the original interest rate is more than 10% different from the present value of the remaining expected cash flows of the old loan. The same principles apply to financial liabilities.

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea Eiendomskreditt performs, e.g. when Nordea Eiendomskreditt repays a deposit to the counterpart, i.e. on settlement date.

7. Translation of assets and liabilities denominated in foreign currencies

The functional currency for Nordea Eiendomskreditt is NOK. Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date. Nordea Eiendomskreditt has items only in GBP and EUR in addition to Norwegian kroner. For exchange rates at 31 December 2021, see section 17 Exchange rates.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item “Net result on items at fair value”.

8. Hedge accounting

As a part of Nordea Eiendomskreditt's risk management policy, Nordea Eiendomskreditt has identified a series of risk categories with corresponding hedging strategies using derivative instruments, as set out in Note 10 "Derivatives and hedge accounting" and in the Board of Directors' report.

When a hedging relationship meets the specified hedge accounting criteria set out in IAS 39, Nordea Eiendomskreditt applies two types of hedge accounting:

- Fair value hedge accounting
- Cash flow hedge accounting

Nordea Eiendomskreditt has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with the carve out version of IAS 39.

Under the EU carve-out version of IAS 39, fair value macro hedge accounting may for instance, in comparison with IAS 39 as issued by the IASB, be applied to on-demand (core) deposits, and hedge ineffectiveness in a hedge of assets with prepayment options is only recognised when the revised estimate of the amount of cash flows falls below the designated bottom-layer.

At inception, Nordea Eiendomskreditt formally documents how the hedging relationship meets the hedge accounting criteria, including the economic relationship between the hedged item and the hedging instrument, the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship on an ongoing basis.

The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item, as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent.

Transactions that are entered into in accordance with Nordea Eiendomskreditt's hedging objectives but do not qualify for hedge accounting, are economic hedge relationships.

Fair value hedge accounting

Fair value hedge accounting is applied when derivatives are hedging changes in the fair value of a recognised asset or liability attributable to a specific risk in accordance with Nordea's risk management policies set out in Note 10 "Derivatives and hedge accounting". The risk of changes in the fair value of assets and liabilities in Nordea Eiendomskreditt's financial statements originates from loans with a fixed interest rate, causing interest rate risk in accordance with Nordea Eiendomskreditt's risk management policies set out in the Board of Directors' report. The risk of changes in the fair value of assets and liabilities in Nordea Eiendomskreditt's financial statements originates mainly from loans, securities and deposits with a fixed interest rate, causing interest rate risk. Changes in the fair value from derivatives as well as changes in the fair value of the hedged item attributable to the risks being hedged, are recognised separately in the income statement in the item "Net result on items at fair value". Given the hedge is effective, the changes in the fair value of the hedged item and the hedging instrument will offset each other.

The changes in the fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged items held at amortised cost in hedges of interest rate risks are reported separately in the balance sheet item "Fair value changes of the hedged items in portfolio hedge of interest rate risk".

Fair value hedge accounting in Nordea Eiendomskreditt is performed mainly on a portfolio basis. Any ineffectiveness is recognised in the income statement under the item "Net result on items at fair value".

Hedged items
A hedged item in a fair value hedge can be a recognised single asset or liability, an unrecognised firm commitment, or a portion thereof. The hedged item can also be a group of assets, liabilities or firm commitments with similar risk characteristics. Hedged items in Nordea Eiendomskreditt consist of both individual assets or liabilities and portfolios of assets and/or liabilities.

Hedging instruments
The hedging instruments used in Nordea Eiendomskreditt are interest rate swaps and cross currency interest rate swaps, which are always held at fair value.

Hedge effectiveness
When assessing hedge effectiveness retrospectively Nordea Eiendomskreditt measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis.

If the hedging relationship does not fulfil the hedge accounting requirements, the hedge accounting is terminated. For fair value hedges the hedging instrument is reclassified to a trading derivative and the change in the fair value of the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item.

Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of hedged items and hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The effect of changes in Nordea's or a counterparty's credit risk on the fair value of the hedging instrument or hedged items
- Disparity between expected and actual prepayments of the loan portfolio

Cash flow hedge accounting

In accordance with Nordea's risk management policies set out in Note 10 "Derivatives and hedge accounting" cash flow hedge accounting is applied when hedging the exposure to variability in future interest payments on instruments with variable interest rates and for the hedging of currency exposures. The portion of the gain or loss on the hedging instrument, that is determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value in the income statement".

Gains or losses on hedging instruments recognised in the cash flow hedge reserve in equity through other comprehensive income are recycled through other comprehensive income and recognised in the income statement in the same period as the hedged item affects profit or loss, normally in the period that interest income or interest expense is recognised.

Hedged items
A hedged item in a cash flow hedge can be highly probable floating interest rate cash flows from recognised assets or

liabilities or from future assets or liabilities. Nordea Eiendomskreditt uses cash flow hedges when hedging currency risk on future payments of interest and principal in foreign currency (both from issued debt in foreign currency and/or intragroup lending) and when hedging interest rate risk on lending with floating interest rates.

Hedging instruments

The hedging instruments used in Nordea Eiendomskreditt are cross currency basis swaps which are always held at fair value, where the currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk.

Hedge effectiveness

The hypothetical derivative method is used when measuring the effectiveness retrospectively of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

If the hedging relationship does not fulfil the hedge accounting requirements, the hedge accounting is terminated. Changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to "Net result from items at fair value" in the income statement if the expected transaction no longer is expected to occur.

If the expected transaction no longer is highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

The possible sources of ineffectiveness for cash flow hedges are generally the same as for those for fair value hedges described above. However, for cash flow hedges, prepayment risk is less relevant, and the causes of hedging ineffectiveness arise from the changes in the timing and the amount of forecast future cash flows.

9. Determination of fair value of financial instruments

Financial assets and liabilities classified into the categories "Financial assets/liabilities at fair value through profit or loss" (including derivative instruments) are recorded at fair value in the balance sheet with changes in fair value recognised in the income statement in the item "Net result from items at fair value".

Fair value is defined as the price that at the measurement date would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist, they are used to measure the fair value of financial assets and financial liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. The absolute level for liquidity and volume required for a market to be considered active vary with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the trade frequency is high. For instruments in such a class, the liquidity requirements are lower and correspondingly, the age limit for the prices used for establishing fair value is higher.

The trade frequency and volume are monitored regularly in order to assess if markets are active or non-active.

If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique. The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.

Valuation techniques can range from a simple discounted cash flow analysis to complex option pricing models. Valuation models are designed to apply observable market prices and rates as input whenever possible, but can also make use of unobservable model parameters. The adequacy of the valuation model is assessed by measuring its capability to match market prices. This is done by comparing calculated prices with relevant benchmark data, e.g. quoted prices from exchange, the counterparty´s valuations, price data from consensus services etc. Nordea Eiendomskreditt is using valuation techniques to establish fair value for items disclosed under the following balance sheet items:

- Interest bearing securities (when quoted prices in an active market are not available)
- Derivatives (OTC-derivatives)

For financial instruments, whose fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. By data from observable markets, Nordea Eiendomskreditt considers data from observable markets to be data that can be collected from generally available external sources and which is deemed to represent realistic market prices. If unobservable data has a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument.

The deferred upfront gains are subsequently released to income if the non-observable data becomes observable.

Note 18 Assets and liabilities at fair value provides a breakdown of fair values of financial instruments measured on the basis of:
• quoted prices in active markets for the same instrument (level 1),
• valuation techniques using observable data (level 2), and
• valuation techniques using non-observable data (level 3).

The valuation models applied by the Nordea roup are consistent with accepted economic methodologies for pricing financial instruments, and incorporate the factors that market participants consider when setting a price.

New valuation models are subject to approval by Model Risk Management Committee and all models are reviewed on a regular basis.

For further information, see Note 18 "Assets and liabilities at fair value".

10. Financial instruments

Classification of financial instruments

Each financial instrument in Nordea Eiendomskreditt has been classified into one of the following categories:

Financial assets:
• Amortised cost
• Financial assets at fair value through profit or loss:
– Mandatorily measured at fair value through profit and loss
– Derivatives used for hedging

• Financial asset at fair value through other comprehensive income

Financial liabilities:
• Amortised cost
• Financial liabilities at fair value through profit or loss:
– Mandatorily measured at fair value through profit and loss
– Derivatives used for hedging

The classification of a financial assets 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).

Financial assets with cash flows that are not solely payments of principal and interest (SPPI) are measured at fair value through profit and loss. All other assets are classified based on the business model. Instruments included in a portfolio with a business model where the intention is to keep the instruments and collect contractual cash flows are measured at amortised cost. Instruments included in a business model where the intention is to both keep the instruments to collect the contractual cash flows and sell the instruments are measured at fair value through other comprehensive income. Financial assets included in any other business model are measured at fair value through profit and loss.

In order to determine 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.

When determining the right for the portfolios, Nordea has taken the current business area structure into account. When determining the business model for each portfolio Nordea has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In the table in Note 17 “Classification of assets and liabilities” the classification of the financial instruments on Nordea Eiendomskreditt’s balance sheet into the different categories under IFRS 9 is presented.

Amortised cost

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method. Amortised cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any loss allowance. For more information about the effective interest rate method see section 5, “Recognition of operating income and impairment”. For information about impairment under IFRS 9, see section 11 below.

Interest on assets and liabilities classified at amortised cost is recognised in the item “Interest income” and “Interest expense” in the income statement.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item “Net result from items at fair value”.

The category consists of two sub-categories; Mandatorily measured at fair value through profit and loss and Designated at fair value through profit or loss (fair value option).

The sub-category Mandatorily measured at fair value through profit and loss consist of interest-bearing securities and derivative instruments.

Derivatives

All derivatives are recognised in the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item “Derivatives” on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item “Derivatives” on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item “Net result on items at fair value”.

Offsetting of financial assets and liabilities

Nordea Eiendomskreditt offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of bankruptcy, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously.

11. Loans to the public/credit institutions

Scope

Financial instruments classified as “Amortised cost” are subject to impairment testing due to credit risk. This includes assets recognized on the balance sheet as “Loans to central banks”, Loans to credit institutions”, “Loans to the public” and “Interest-bearing securities”. These balance sheet lines also include assets classified as Fair value through profit or loss, which are not subject to impairment testing. See section 5 above and Note 17 “Classification of financial instruments”.

Off-balance sheet commitments, contingent liabilities and loan commitments are also subject to impairment testing.

Recognition and presentation

Amortised cost assets are recognised gross with an offsetting allowance for the expected credit losses if the loss is not regarded as final. The allowance account is disclosed net on the face of the balance sheet, but the allowance account is disclosed separately in the notes. Changes in the allowance account are recognised in the income statement and classified as "Loan losses".

If the impairment loss is regarded as final, it is reported as a realised loss and the carrying amount of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea Eiendomskreditt waives its claims either through a legal based or voluntary reconstruction, or when Nordea, for other reasons, deem it unlikely that the claim will be recovered. See also section "Write-offs" below.

Provisions for off-balance sheet exposures are classified as "Provisions" on the balance sheet, with changes in provisions classified as "Loan losses".

Impairment testing

Nordea Eiendomskreditt classifies all exposures into stages on an individual basis. 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 (impaired loans) includes defaulted assets. Nordea monitors whether there are indicators of exposures being credit impaired (stage 3) by identifying events that have a detrimental impact on the estimated future cash flows (loss event). Nordea applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in the Risk, Liquidity and Capital management section of the Board of Director's report. Exposures without individually calculated allowance will be covered by the model based impairment calculation.

For significant exposures where a credit event has been identified, the exposure is tested for impairment on an individual basis. If the exposure is found impaired, an individual provision is recognised. The carrying amount of the exposure is compared with the sum of the net present value of expected future cash flows. If the carrying amount is higher, the difference is recognised as an impairment loss. The expected cash flows are discounted with the original effective interest rate and include the fair value of the collaterals and other credit enhancements. The estimate is based on three different forward-looking scenarios that are probability weighted to derive the net present value.

For insignificant exposures that have been individually identified as credit impaired, the measurement of the impairment loss is measured using the model described below, based on the fact that the exposures are already in default

Model based allowance calculation

For exposures not impaired on an individual basis, a statistical model is used for calculating impairment losses. The provisions are calculated as the exposure at default times the probability of default (PD) times the loss given default. For assets in stage 1 this calculation is only based on the coming 12 months, while for assets in stage 2 and 3 it is based on the expected lifetime of the asset.

The provisions for exposures for which there has been no significant increase in credit risk since initial recognition are based on the 12-month expected loss (stage 1). Provisions for exposures for which there has been a significant increase in credit risk since initial recognition, but that are not credit impaired, are based on the lifetime expected losses (stage 2). This is also the case for the insignificant credit impaired exposures in stage 3.

Nordea Eiendomskreditt uses two different models to identify whether there has been a significant increase in credit risk or not. For assets held at transition 1 January 2018, the change in internal rating and scoring data is used to determine whether there has been a significant increase in credit risk or not.

Internal rating/scoring information is used to assess the risk of the customers and a deterioration in rating/scoring indicates an increase in the credit risk of the customer. Nordea has concluded it is not possible to calculate the lifetime PDs at origination without the use of hindsight for assets already recognised on the balance sheet at transition. Changes to the lifetime Probability of Default (PD) are used as the trigger for assets recognised after transition.

For assets evaluated based on lifetime PDs, Nordea Eiendomskreditt uses a mix of absolute and relative changes in PD as the transfer criterion.

Exposures with a relative increase in lifetime PD is more than 250 percent is considered as having a significant increase in credit risk, or if the absolute increase in lifetime PD is more than 150 basis points.

For assets for which rating and scoring models are used, the change in rating/scoring notches is calibrated to match the significant increase in credit risk based on lifetime PD. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2, unless already identified as credit impaired (stage 3). Exposures with forbearance measures will stay in stage 2 for a probation period of 24 months from when the measures were introduced. Once transferred back to stage 1, after the probation period, the exposures are treated as any other stage 1 exposure when assessing significant increase in credit risk. Exposures more than 90 days past due will normally be classified as stage 3, but this classification will be rebutted if there is evidence the customer is not in default. Such exposures will be classified as stage 2. Rated exposures classified as "high risk", i.e. with a rating grade of 2 or below will also be transferred to stage 2.

Nordea Eiendomskreditt does not use the "low credit risk exemption" in its banking operations.

When calculating provisions, including the staging assessment, the calculation is based on probability weighted forward looking information. Nordea applies three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios are used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario is recognised as provisions. The model is based on data collected before the reporting date, requiring Nordea to identify events that should affect the provisions after the data is (collected) sourced to the model calculation. Management evaluates these events and adjusts the provisions if deemed necessary.

Write-offs

A write-off is a de-recognition of a loan or receivable from the balance sheet and a final realisation of a credit loss provision. When assets are considered as uncollectable they should be written off as soon as possible, regardless of whether the legal claim remains or not. A write-off can take place before legal actions against the borrower to recover the debt have been concluded in full. Although an uncollectable asset is removed or written-off from the balance sheet, the customer remains legally obligated to pay the outstanding debt. When assessing the recoverability of non-performing loans and determining if write-offs are required, exposures with the following characteristics are in particular focus (list not exhaustive):

- Exposures past due more than 90 days. If, following this assessment, an exposure or part of an exposure is deemed as unrecoverable, it is written-off.
- Exposures under insolvency procedure where the collateralisation of the exposure is low.
- Exposures where legal expenses are expected to absorb proceeds from the bankruptcy procedure and therefore estimated recoveries are expected to be low.
- A partial write-off may be warranted where there is reasonable financial evidence to demonstrate an inability of the borrower to repay the full amount, i.e. a significant level of debt which cannot be reasonably demonstrated to be recoverable following forbearance treatment and/or the execution of collateral.
- Restructuring cases.

Discount rate

The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans and modifications

In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to its financial difficulties and where this concession has resulted in an impairment loss for Nordea. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. In the event of a recovery the payment is reported as a recovery of loan losses.

Modifications of the contractual cash flows for loans to customers in financial difficulties (forbearance) reduce the gross carrying amount of the loan. Normally this reduction is less than the existing provision and no loss is recognized in the income statement due to modifications. If significant, the gross amounts (loan and allowance) are reduced.

Assets taken over for protection of claims

In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquire an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of claims are reported on the same balance sheet line as similar assets already held by Nordea. For example, a property taken over, not held for Nordea's own use, is reported together with other investment properties.

At initial recognition, all assets taken over for protection of claims are recognized at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognized as "Loan losses". The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Financial assets that are foreclosed are generally classified into the category "Fair value through profit or loss" and measured at fair value. Changes in fair value are recognized in the income statement in the line item "Net result from items at fair value".

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the group's presentation policies for the appropriate asset. "Loan losses" in the income statement is, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

12. Taxes

The item "Income tax expense" in the income statement comprises current and deferred income tax. The income tax expense is recognised in the income statement, except to the extent that the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses carried forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and current tax liabilities are offset when the legal right to offset exists.

13. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of Nordea Eiendomskreditt by the weighted average number of ordinary shares outstanding during the period.

14. Employee benefits

All forms of consideration given by Nordea Eiendomskreditt to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after termination of the employment. Post-employment benefits in the company consist only of pensions.

Short-term benefits

Short-term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea Eiendomskreditt. More information can be found in Note 5 Staff costs.

Post-employment benefits

Pension plans

The company's liabilities in respect of its retirement benefit obligations to its employees are mainly funded schemes covered by assets in pension funds. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit obligation, determined using the projected unit credit method, the net amount is recognised as a liability ("Retirement benefit obligations"). If not, the net amount is recognised as an asset ("Retirement benefit assets"). Non-funded pension plans are recognised as "Retirement benefit obligations".

Pension costs

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea Eiendomskreditt's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Actuarial calculations including the projected unit credit method are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note 13 Retirement benefit obligations).

When establishing the present value of the obligation and the fair value of any plan assets, remeasurement effects may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The remeasurement effects are recognised immediately in equity through other comprehensive income.

When the calculation results in a benefit, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Social security contribution is calculated and accounted for based on the net recognized surplus or deficit by the plan and is included in the balance sheet as "Retirement benefit obligations" or "Retirement benefit assets".

Discount rate in Defined Benefit Plans

The discount rate is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In Norway, the discount rate is determined with reference to covered bonds

15. Equity

Share premium reserve

The share premium reserve consists of the difference between the subscription price and the quota value of the shares in Nordea Eiendomskreditt's rights issue. Transaction costs in connection to the rights issue have been deducted.

Other reserves

Other reserves comprise income and expenses, net after tax effects, which are reported in equity through other comprehensive income. These reserves include reserves for cash flow hedges and accumulated remeasurements of defined benefit pension plans.

Retained earnings

Apart from undistributed profits from previous years, retained earnings may also include the equity portion of untaxed reserves. Untaxed reserves according to national rules are accounted for as equity net of deferred tax at prevailing tax rates in the respective country.

16. Related party transactions

Nordea Eiendomskreditt defines related parties as:

- Shareholders with significant influence
- Other Nordea group companies
- Key management personnel

All transactions with related parties are made on the same criteria and terms as those of comparable transactions with external parties of similar standing .

Shareholders with significant influence

At 31 December 2021 Nordea Bank Abp owned 100% of the share capital of Nordea Eiendomskreditt AS and has significant influence.

Other Nordea group companies

Other Nordea group Companies means the group parent company Nordea Bank Abp and its subsidiaries.

Key management personnel

Key management personnel include the following positions:

- The Board of Directors
- The Chief Executive Officer (CEO)

For information about compensation, pensions and other transactions with key management personnel, see Note 5 Staff costs.

Information concerning transactions between Nordea Eiendomskreditt and other companies in the group is found in Note 21 Related-party transactions.

17. Exchange rates

GBP 1 = NOK	2021	2020
Income statement (average)	11,8224	12,0664
Balance sheet (at end of period)	11,9374	11,6589

EUR 1 = NOK		
Income statement (average)	10,1655	10,7291
Balance sheet (at end of period)	10,0185	10,4703

Note 2
Risk and liquidity management
Risk governance

Maintaining risk awareness in the organization is engrained in Nordea Eiendomskreditt's business strategies. The Nordea group has defined clear risk, liquidity and capital management frameworks, including policies and instructions for different risk types, capital adequacy and capital structure, which have been implemented by Nordea Eiendomskreditt.
Covid-19 has been a major risk factor also during 2021 leading to continued volatility in markets and reduced liquidity in wholesale funding at the outset of the global lockdown. With its strong financial position Nordea Eiendomskreditt is able to continue to actively support its customers during this challenging time. In order to continuously monitor potential adverse outcomes, Nordea group has executed a number of internal stress tests with focus on the Covid-19 situation. In these stress tests, Nordea Eiendomskreditt's capital and liquidity situation has shown good resilience even in the most severe scenarios.

Internal Control Framework

Nordea Eiendomskreditt's Board has adopted Nordea's group Board Directive on Internal Governance which describes the Internal Control Framework. The framework is designed to ensure effective and efficient operations, adequate identification, measurement and mitigation of risks, prudent conduct of business, sound administrative and accounting procedures, reliability of financial and non-financial information (both internally and externally) and compliance with laws, regulations, supervisory requirements and Nordea Eiendomskreditt's internal rules.

The internal control process is carried out by Nordea Eiendomskreditt's governing bodies that consist of Board, CEO, senior management, the risk management function and other staff in Nordea Eiendomskreditt and, as regulated by intra-group agreements, by units within the Nordea group. The internal control process is based on five main components: control environment, risk assessment, control activities, information and communication as well as monitoring. The internal control process is created to ensure the necessary fundamentals for the entire organization to contribute to the effectiveness and high quality of internal control through, for instance, clear definitions, assignments of roles and responsibilities and common tools and procedures.

Governing bodies for risk, liquidity and capital management

The Board of Directors of Nordea Eiendomskreditt (NE Board), the Chief Executive Officer of Nordea Eiendomskreditt's (NE CEO) executive management are the key decision-making bodies for risk and capital management in Nordea Eiendomskreditt. In addition, NE Board has delegated the credit decision-making to individuals and committees within the parent company Nordea Bank Abp through the internal risk management framework and intra-group outsourcing agreements. With effect from 1st of January 2022 NE Board has established subsidiary Board Risk Committee (BRIC) in Nordea Eiendomskreditt.

Nordea Eiendomskreditt Board of Directors and Board Risk Committee (BRIC)

NE Board has the following overarching risk management responsibilities:

- It decides on Nordea Eiendomskreditt's risk strategy and the Risk Appetite Framework, including the Risk Appetite Statements, with at least annual reviews and additional updates when needed.
- It decides on and oversees an adequate and effective Risk Management Framework and regularly evaluates whether Nordea Eiendomskreditt has effective and appropriate controls to manage the risks.
- NE Board adopts the group Board Directive on Capital, which ensures adequate capital levels within the Nordea group, on an ongoing and forward-looking basis, consistent with the business model, risk appetite, and regulatory requirements and expectations.

- NE BRIC will with effect from 1st of January 2022 assists NE Board in fulfilling its oversight responsibilities concerning management and control of risk, risk frameworks, controls and processes associated with Nordea Eiendomskreditt's operations, including credit, market, liquidity, business and operational risk, as well as conduct and compliance risk and related frameworks and processes.

Nordea Eiendomskreditt Chief Executive Officer

NE CEO is responsible to NE Board for the overall management of Nordea Eiendomskreditt's operations and risks. Responsibilities include ensuring that the risk strategy and risk management decided by NE Board are implemented, that necessary practical measures are taken, and that risks are monitored and limited. In discharging these responsibilities, NE CEO is supported by Nordea Eiendomskreditt Executive Management (NE management).

Nordea Eiendomskreditt Executive Management

NE management consists of CEO, Head of Credit & Risk Management, Head of Development & Product Management, Chief Financial Officer and Chief Risk Officer.
In addition, appointed compliance officer has the right and duty to attend the management meetings.

Credit decision making bodies

The governing bodies for Credit Risk and/or the Credit Risk Management Framework are NE Board. NE Board has delegated credit decision-making according to the powers- to act as described in the adopted group Board Directive for Risk. The Nordea group has established a number of committees that also covers Nordea Eiendomskreditt credit decisions. According to the group Board Directive for Risk, all limits within the Nordea group are based on credit decisions or authorizations made by an ultimate Decision-Making Authority with the right to decide upon that limit. Credit decisions include, inter alia, pricing, risk mitigation and any terms and conditions related to the limit or expected utilization. Credit decisions also serve to delegate decision making within the approved limit to lower decision makers, unless otherwise explicitly decided.

Governance of Risk Management and Compliance

The flow of risk- related information is passed from the business areas and group functions to NE Board through NE management. The flow of information starts with the divisions that monitor and analyse information on the respective risk types according to intra-group agreements. The risks information is presented and discussed in NE management and then brought to NE Board.

Group Compliance (GC) within Nordea Bank Abp is responsible for identifying compliance risks in Nordea Eiendomskreditt and performs monitoring and control to ensure that the risks are managed by responsible functions. GC performs this service as part of an intra-group agreement. GC adds value to Nordea Eiendomskreditt and its stakeholders by providing an independent view on compliance with applicable laws, regulations, standards, supervisory requirements and related internal rules governing Nordea Eiendomskreditt's activities, and by performing monitoring activities. Reporting from GC is presented directly to NE management and NE Board.

The Risk Management Framework (RMF) ensures consistent processes for identifying, assessing and measuring, responding to and mitigating, controlling and monitoring, and reporting risks to enable informed decisions on risk-taking. The Risk Management Framework encompasses all risks to which the Nordea group, including Nordea Eiendomskreditt, is or could be exposed, including off-balance sheet risks and risks in a stressed situation. Detailed risk information covering all risks and Nordea Eiendomskreditt's compliance with regulatory requirements are regularly reported to the NE CEO in NE management and NE Board.

The Risk Identification and Materiality Assessment Process starts with identifying potential risks to which Nordea Eiendomskreditt is or could be exposed. Risks are then assessed for relevance, classified, and included in the Nordea group's Common Risk Taxonomy. All risks within the Nordea Common Risk Taxonomy need to are classified as material or not material for risk management and capital purposes for Nordea Eiendomskreditt. Material risks are those assessed as having a material impact on Nordea Eiendomskreditt's current and future financial position, its customers and stakeholders.

Risk Appetite

The Risk Appetite Framework (RAF) supports effective risk management and a sound risk culture by enabling informed decisions on risk-taking, with the objective of ensuring that risk-taking activities are conducted within Nordea Eiendomskreditt's risk appetite and that emerging risks are identified and addressed in a timely way. Risk capacity is the maximum level of risk Nordea Eiendomskreditt is deemed able to assume given its capital (Own funds), its risk management and control capabilities, and its regulatory constraints. The Risk Appetite specifies is the aggregate level and types of risk Nordea Eiendomskreditt is willing to assume within its risk capacity, in line with its business model, to achieve its strategic objectives.

The Risk Appetite Statements (RAS) are the articulation of the NE Board approved risk appetite and consist of the qualitative statements and quantitative limits and triggers by main risk type, which are deemed appropriate to be able to operate to ensure a prudent risk profile. Credit concentration metrics cover e.g. sectors client groups of importance. Stress test metrics are established for credit risk, market risk metrics and liquidity risk to ensure a forward-looking approach to risk management. Operational risk metrics cover both residual risk levels and requirements for mitigating actions as well as limits for incidents and losses.

Risk Appetite processes

The RAF contains all processes and controls to establish, monitor and communicate Nordea Eiendomskreditt's risk appetite:

- Risk capacity setting based on the capital position: On an annual basis, Nordea Eiendomskreditt's overall risk capacity is aligned with the financial and capital planning process, based on Nordea Eiendomskreditt's risk strategy. The risk capacity is set in line with the capital position, including an appropriate shock absorbing capacity.
- Risk appetite allocation by risk type: Risk appetite includes Risk Appetite Limits for the main risk types that Nordea Eiendomskreditt is or could be exposed to, in line with the Common Risk Taxonomy. Risk Appetite Triggers are also set for these main risk types, to act as early indicators for key decision-makers that the risk profile for a particular risk type is approaching its Risk Appetite Limit.
- Risk limit setting: Risk Appetite Limits set by NE Board are the basis for risk limits which are established and approved at lower decision-making levels, including NE management. Risk limits are set in alignment with Norwegian regulatory requirements and consistent with the Nordea group Risk Limits.
- Controlling and monitoring of risk exposures against risk limits: Risk appetite limits and risk limits are regularly monitored and controlled to ensure that risk taking activity remains within the risk appetite.
- Risk appetite limit breach management process: Nordea Eiendomskreditt's Chief Risk Officer (NE CRO) ensures that any Risk Appetite Limit breaches are appropriately escalated to NE management and NE Board. NE CRO reports at least quarterly on any breaches of the risk appetite to NE management and NE Board and other relevant governing bodies, including a follow-up on the status of actions to be taken, until the relevant risk exposure is back within the risk appetite.

Embedding risk appetite in business processes

The end-to-end risk appetite process cycle is aligned with other strategic processes, including the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and the Recovery and Resolution Plan. Moreover, the risk appetite is embedded in business processes and communicated across the organisation in order to meet Nordea Eiendomskreditt's objectives of maintaining a sound risk culture. This includes, but is not limited to, ensuring a strong link between the assessed risk appetite and the business plans and budgets, the capital and liquidity position, the systemic risk profile/the recoverability and resolvability assessments, as well as the incentive structures/remuneration framework. A separate risk description is reported to the Board of Directors in Nordea Eiendomskreditt once a year according to requirements in CCR/CRD IV chapter 8, adopted by the Norwegian FSA.

Disclosure requirements of the CRR - Capital and Risk Management report

Additional information on risk and capital management is presented in the Capital and Risk Management Report 2021, in accordance with the Capital Requirements Regulation (CRR). The report is available at www.nordea.com.

Credit risk management

Credits granted shall conform to the common principles established for the Nordea group. Nordea Eiendomskreditt strives to have a well-diversified credit portfolio that is adapted to the structure of its home market. The key principles for managing Nordea Eiendomskreditt's risk exposures are:

- the three Lines of Defence (LoD) as further described in the Group Board Directive on internal Governance that has been adopted by NE Board;
- independence, i.e. the risk control function should be independent of the business controls; and,
- risk-based approach, i.e. the risk control functions should be aligned to the nature, size and complexity of Nordea Eiendomskreditt's business, ensuring that efforts undertaken are proportional to the risks in question.

NE Head of Credit & Risk Management in 1LoD is responsible for implementing the Nordea group's credit process framework and operational credit risk guidelines and SOPs in Nordea Eiendomskreditt. NE CRO in 2LoD is responsible for implementing the Nordea group's credit risk framework, consisting of policies and instructions. NE CRO is also responsible for controlling and monitoring the quality of the credit portfolio and the credit process. NE Head of Credit & Risk Management and NE CRO are supported by Nordea group resources in these responsibilities according to intra- group agreements.

Nordea Eiendomskreditt credit risk management framework includes the credit RAF which provides a comprehensive and risk-based portfolio perspective through relevant asset quality and concentration risk measures. Individual credit decisions within the approved internal credit risk limit are taken within the customer responsible unit (CRU) in Nordea Bank Abp, filial i Norge or in Group Credit Management. The risk categorisation together with the exposure of the customer determine at what level the credit decision will be made.
Responsibility for credit risk lies with the customer responsible unit. Customers are risk categorized by a score in accordance with the Nordea group's common scoring guidelines. The scoring of customers aims to predict their probability of default and consequently rank them according to their respective default risk. Scoring are used as integrated parts of the credit risk management and decision-making process.

Credit risk definition and identification

Credit risk is defined as the potential for loss due to failure of a borrower(s) to meet its obligations to clear a debt in accordance with agreed terms and conditions. The potential for loss is lowered by credit risk mitigation techniques. Credit risk stems mainly from various forms of lending, but also from issued guarantees and documentary credits and includes counterparty credit risk, transfer risk and settlement risk. Credit risk in Nordea Eiendomskreditt is mainly related to the lending portfolio. The lending portfolio is secured by collateral in real estate with average loan to value of 57.6% (59.7%). The risk of material losses in the portfolio is therefore considered to be limited.

Credit risk mitigation

Credit risk mitigation is an inherent part of the credit decision process. In every credit decision and review, the valuation of collateral is considered as well as the adequacy of covenants and other risk mitigations. Pledge of collateral is a fundamental credit risk mitigation technique in the bank and collaterals are always sought, when reasonable and possible, to minimize the potential for credit losses. In every credit decision and review, the value of collaterals must be considered.

The collateral value shall always be based on the market value. The market value is defined as the estimated amount for which the asset would exchange between a willing buyer and willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. From this market value, a haircut is applied. The haircut is defined as a percentage by which the asset's market value is reduced ensuring a margin against loss. The margin reflects the adjustments needed to assess the cash proceeds when the collateral is liquidated in a forced sale situation. A maximum collateral ratio is set for each collateral type.

The same principles of calculation must be used for all exposures. For High Risk customers, the foreclosure value may differ from the maximum collateral values and should be based on a realistic assessment for the particular asset at that time. Risk transfer to other creditworthy parties, through guarantees and insurance, shall be based on legally enforceable documentation.

Individual and collective assessment of impairment

Requirements for impairment are set forth in IFRS 9, which are based on an expected loss model.

Assets tested for impairment are 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. All assets are assessed individually for staging. Significant assets in stage 3 are tested for impairment individually. Assets in stage 1, stage 2 and insignificant assets in stage 3 are tested for impairment collectively. Impairment testing (individual and collective) is applying three forward looking and weighted scenarios.

Throughout the process of identifying and mitigating credit impairment, Nordea continuously reviews the quality of credit exposures. Weak and credit impaired exposures are closely monitored and reviewed at least on a quarterly basis in terms of current performance, future debt service capacity, and the possible need for provisions.

Individual provisioning

A need for individual provisioning is recognized if, based on credit events and observable data, a negative impact is likely on the customer's expected future cash flow to the extent that full repayment is unlikely (pledged collaterals taken into account). Exposures with individually assigned provisions are considered as credit impaired. The size of the provision is equal to the estimated loss, which is the difference between the book value of the outstanding exposure and the discounted value of the expected future cash flow, including the value of pledged collateral. Nordea recognizes only specific credit risk adjustments (SCRA). SCRA comprise individually and collectively assessed provisions. SCRA during the year is referred to as loan losses, while SCRA in the balance sheet is referred to as allowances and provisions.

Default

Customers with exposures that are past due more than 90 days, being in bankruptcy or considered unlikely to pay are regarded as defaulted and can be either servicing debt or non-servicing. If a customer recovers from being in default, the customer is seen as cured. Typically, this situation occurs if the customer succeeds in creating a balance in financials. In order to be cured the recovery should include the customer's total liabilities, an established satisfactory repayment plan and an assessment that the recovery is underway.

Collective provisioning

The collective model is executed quarterly and assessed for each legal unit/branch. One important driver for provisions is the trigger for the transferring of assets from stage 1 to stage 2. For assets recognised from 1 January 2018, changes to the lifetime Probability of Default (PD) are used as the trigger. In addition, customers with forbearance measures and customers with payments more than thirty days past due are also transferred to stage 2. In stage 1, the provisions equal the 12 months expected loss. In stage 2 and 3, the provisions equal the lifetime expected loss. The output is complemented with an expert-based analysis process to ensure adequate provisioning. Defaulted customers without individual provisions have collective provisions.

Forbearance

Forbearance means eased terms or restructuring due to the borrower experiencing or about to experience financial difficulties. The intention with granting forbearance for a limited time period is to ensure full repayment of the outstanding debt. Examples of negotiated terms are changes in amortization profile, repayment schedule, customer margin as well as ease of financial covenants. Forbearance is undertaken on a selective and individual basis, approved according to powers-to-act and followed by impairment testing. Forborne exposures can be servicing or non-servicing. Loan loss provisions are recognized if necessary.

Further information on forbearance and credit risk is presented in Note 9 Loans and impairment and in Note 23 Credit risk disclosures.

Credit portfolio

Including on- and off -balance sheet exposures and exposures related to securities, the total credit risk exposure at year end was NOK 320.1bn (NOK 297.8bn last year). More information and breakdown of exposure according to the CRR definition is presented in the Capital and Risk Management Report (Pillar 3 report) at www.nordea.com.

On-balance lending consists of fair value lending and amortized cost lending and constitutes the major part of the credit portfolio. Amortized cost lending is the basis for impaired loans allowances and loan losses. Credit risk in lending is measured and presented as the principle amount of on-balance sheet claims, i.e. loans to credit institutions and to the public-, and off-balance sheet potential claims on customers and counterparts, net after allowances. Credit risk exposure also includes the risk related to derivative contracts, which was NOK 0.6bn at year end (NOK 1.4bn).

Nordea Eiendomskreditt's total lending to the public increased to NOK 286bn at the end of 2021 (NOK 266bn). The portfolio includes residential mortgage loans as well as loans to holiday homes, secured by properties in Norway, and secured construction loans for residential properties and holiday homes. Including off-balance sheet exposures the total credit risk exposure at year end was NOK 313.9bn (NOK 290.7bn). Lending to credit institutions amounted to NOK 0.4bn at the end of the year (NOK 0.5bn), all of which was placed in the parent bank as cash accounts, payable on demand. Nordea Eiendomskreditt also has interest bearing securities amounting to NOK 5.2bn at the end of 2021 (NOK 5.2bn).

Scoring distribution

One way of assessing credit quality is through analysis of the distribution across risk grades for scored household customers.

The average credit quality decreased slightly in the scoring portfolio in Q4-2021. 25.7% of the number of customers migrated upwards while 14% were down-rated . Exposure-wise, 29% of the customer exposure migrated upwards while 19% were down-rated. By the end of 2021, 94.3% of the exposure were scored 4- or higher compared to 94.5% at the end of Q3-2021.

Information on scoring distribution in the lending portfolio is shown in Note 9 Loans and impairment.

Impaired loans (Stage 3)

Impaired loans gross in Nordea Eiendomskreditt decreased during the year from NOK 778m in 2020 to NOK 504m in 2021 despite the higher loan volume and the Covid-19 pandemic, and corresponded to 17bps (29bps) of total loans. 29% of impaired loans gross are servicing loans and 71% are non-servicing loans. Impaired loans net, after allowances for Stage 3 loans, amounted to NOK 409m (NOK 702m), corresponding to 14bps (26bps) of total loans. Allowances for Stage 3 loans amount to NOK 95.2m (NOK 75.3m). Allowances for Stages 1 and 2 amounted to NOK 121.4m (NOK 114.9m). The ratio of allowances in relation to impaired loans is 18.9% (9.7%) and the allowance ratio for loans in Stages 1 and 2 is 4.3bps (4.3bps) of total loans in Stages 1 and 2.

The volume of past due loans to household customers (excluding impaired loans) was NOK 1,458m at the end of 2021 (NOK 1,238m). The majority of the volume is past due between 6 and 30 days, where the levels corresponds to end of 2020. Historically low interest rates on mortgages together with less spending in the households in general, in combination with instalment free periods for households directly impacted by the Covid-19 crisis has had positive impact on the volume of past due loans. The development is closely monitored related to potential negative impact of interest raises and high electricity process.
Nordea Eiendomskreditt has not taken over any properties for protection of claims due to default.
Loan losses amounted to NOK 53.0 in 2021 (NOK 98.3m). This corresponds to a loan loss ratio of 1.9 basis points.

ESG (Environmental, Social and Governance) related risk

Nordea defines ESG risk as the risk of negative financial impact over the short to longer term, stemming from the direct or indirect impact that environmental (including climate), social and governance issues may have on Nordea. It is important for us to integrate ESG assessments into our risk management frameworks.

Further information about how the Nordea group works with Sustainability is available in Nordea's Sustainability Report at www.nordea.com (https://www.nordea.com/en/sustainability/). The report covers the Nordea group and its subsidiaries.

Climate risk

Climate risk can be divided into:

- Physical impact risk - potential adverse impacts from climate change such as extreme weather, floods or droughts, and sea level rise.
- Policy risk - tightening of climate policies and regulations to shift the economy away from fossil fuels.

Nordea Eiendomskreditt did extensive work in 2020 together with inter alia Sustainable Finance in Nordea to identify properties that are exposed to physical climate risk. Of the pledged assets 2.7% was assessed to be exposed to one of the physical risks. The physical risk for Nordea Eiendomskreditt is assessed as minor due to that the mortgagor is well covered by good insurance arrangements in Norway.

EU Taxonomy set the standard for classification of economic activities and regulation in this area is under development.

Counterparty credit risk

Counterparty credit risk is the risk that Nordea Eiendomskreditt's counterpart in an interest or currency derivative contract defaults prior to maturity of the contract and that Nordea Eiendomskreditt at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions. The exposure at the end of 2021 for Nordea Eiendomskreditt was NOK 302m (NOK 341m). 100% of the exposure and 100% of the current exposure net was towards financial institutions. Nordea Eiendomskreditt only uses counterparties in the Nordea group in derivative transactions. For information about financial instruments subject to master netting agreement, see note 19 Financial instruments set off on balance or subject to netting agreements.

Market risk

Market risk is the risk of loss in a position in either the trading book or non-trading book as a result of changes in market rates and parameters that affect the market values or net interest income flows. Market risk exist irrespective of the accounting treatment of the positions.
The market risk appetite for Nordea Eiendomskreditt is expressed through risk appetite statements issued by NE Board. The statements are defined for the banking book as Nordea Eiendomskreditt does not have any trading book assets. The 2LoD ensures that the risk appetite is appropriately translated through

relevant committees into specific risk appetite limits for group Treasury. Treasury is responsible for managing the market risk according to intra-group outsourcing agreement.

As part of the overall RAF, holistic and bespoke stress tests are used to measure the market risk appetite and calibrate limits to monitor and control the full set of material market risk factors to which Nordea Eiendomskreditt is exposed.

Non-traded market risk

Non-traded market risk principally arises from the core banking business of Nordea Eiendomskreditt, related hedges and regulatory or other external requirements (e.g. liquid asset buffer). Treasury is responsible for the comprehensive risk management of all non-traded market risk exposures in the Nordea group's balance sheet, including Nordea Eiendomskreditt.

For transparency and a clear division of responsibilities within Treasury, the comprehensive banking book risk management is divided across several frameworks – each with a clear risk mandate and specific limits and controls.

The non-traded market risks that Nordea Eiendomskreditt is exposed to is interest rate risk in the banking book (IRRBB) defined as the current or prospective risk to Nordea Eiendomskreditt's capital and earnings arising from adverse movements in interest rates. The market risks are managed centrally by Treasury from an earnings and Economic Value perspective and include gap risk, basis risks, credit spread risk and option risk stemming from floors in issued bonds and customer contracts.

Due to the lending structure in Nordea Eiendomskreditt's home market Norway, most of the contractual interest rate exposures are floating rate while fixed rate lending only constitutes a small part of the loan book. Consequently, wholesale funding is also issued in or swapped to floating rate format. The resulting residual repricing gap risk and fixing risk are managed by Treasury for Nordea Eiendomskreditt. The net outright interest rate risk stemming from the repricing gaps, together with the limited fixed interest rate risk, are hedged with interest rate swaps (IRS).

Liquid assets held to satisfy liquidity buffer requirements are managed with minimal market risk exposure in accordance with the Liquidity Buffer frameworks.

Measurement of market risk

Economic value (EV) stress tests look at the change in economic value of banking book assets, liabilities and interest-bearing derivative exposures resulting from interest rate movements, independently of the accounting classification and ignoring credit spreads and commercial margins. The model assumes a run-off balance sheet and includes behavioural modelling for pre-payments. Changes in the Economic Value of the Equity of the banking book are measured under the 6 standardised scenarios defined by the Basel Committee on Banking Supervision (BCBS). The exposure limit under this metric is measured against the worst outcome out of the 6 scenarios measured.

The earnings risk metric measures the change in net interest income relative to a base scenario, creating a Structural Interest Income Risk (SIIR) value over a one-year horizon. The model uses a constant balance sheet assumption, implied forward rates and behavioural modelling for pre-payments. The measurement of IRRBB is dependent on key assumptions applied in the models. The most material assumptions relate to the modelling of embedded behavioural options in both assets and liabilities. The behavioural option held by Nordea Eiendomskreditt's lending customers to execute early loan pre-payments is estimated using pre-payment models. On the other hand Nordea has floor options towards customers stemming from the fact that customer rates are modelled to not go negative. Furthermore, issued bonds also contain floors because Nordea currently does not charge negative rates to investors in bonds issued by Nordea Eiendomskreditt.

Market risk analysis

Structural Interest Income Risk (SIIR)/Economic Value (EV)

At the end of the year, the loss for SIIR was NOK 91.2m for the 50 bp down scenario (NOK 128.8m). The most severe impact from the Basel scenarios on EV was NOK 162.3m loss at end of year 2020 (NOK 706.7m).

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational risks are inherent in all of Nordea Eiendomskreditt's businesses and operations. Consequently, all managers are accountable for the operational risks related to their area of responsibility, and responsible for managing these risks within risk limits and risk appetite limits in accordance with the operational risk management framework. NE CRO, with support from risk control functions within the Nordea group (Operational Risk Officer), constitutes the 2LoD risk control function for operational risk and is responsible for developing and maintaining the overall operational risk management framework as well as for monitoring and controlling the operational risk management of the 1LoD.

The 2LoD control function monitors and controls that operational risks are appropriately identified, assessed and mitigated. The 2LoD control function also follows-up on risk exposures towards risk appetite limits and assesses the adequacy and effectiveness of the operational risk management framework and framework implementation. Staff within the 2LoD control function are responsible for preparing and submitting regular risk reports on all material risk exposures including risk appetite limit utilization and operational risk incidents to NE CRO , who thereafter reports to NE CEO in NE management and NE Board.

Due to the Covid-19 pandemic, and dependent on local restrictions, remote working has continued to be promoted in 2021 to continue servicing customers. Preventive measures taken have focused on e.g. awareness communications and training activities, and preventive and compensating controls have been put in place to mitigate operational risk related to remote working. In response to the accelerating remote working trend in society, a number of activities supporting the transformation to a hybrid working model post COVID-19 have been initiated.

While the Covid-19 crisis has presented Nordea with an elevated risk level, this has not materialised as increased operational losses. To address the elevated risk level, the risk appetite loss limit was temporarily increased. The increase has been partly but not fully rolled back as uncertainty remains related to the development of COVID-19.

The RAS for operational risk is expressed in terms of:

1) residual risk level
2) total loss amount from incidents and management of Incidents.

Management of operational risk

The Nordea group's Group Board Directives on Risk, Risk Appetite and Internal Governance, which have been adopted by NE Board, set the principles for the management of risks in Nordea Eiendomskreditt. Based on these principles, the Nordea group has established supporting internal rules for operational and compliance risk that form the overall operational risk and compliance risk management frameworks. These also apply to Nordea Eiendomskreditt. Management of operational and compliance risk includes all activities aimed at identifying, assessing and measuring, responding and mitigating, controlling and monitoring and reporting on risks. Risks are identified through various processes as detailed in the following section.

Risk and control self-assessment (RCSA)

The RCSA process provides an overview and assessment of operational and compliance risks for Nordea Eiendomskreditt. The process improves risk awareness and enables effective assessment, control, and mitigation of identified risks.

Change Risk Management and Approval (CRMA) framework

The objective of the CRMA framework is to ensure that there is a full understanding of both financial and non-financial risks when executing changes. Associated risks shall be adequately managed consistent with Nordea Eiendomskreditt's Risk Strategy, Risk Appetite and corresponding risk limits before a change is approved, executed or implemented. Changes in scope of the CRMA framework include e.g. new or significant changes to products, services, or IT systems. The CRMA includes Quality and Risk Analysis.

Incident Reporting Management

The objectives of Incident Reporting Management are to ensure appropriate handling and reporting of detected incidents to minimize the impact on Nordea Eiendomskreditt and its customers, prevent reoccurrence, and reduce the probability and impact of future incidents. In addition, the Incident Management shall secure timely notification to defined external bodies and parties, including relevant supervisory authorities.

Raising Your Concern (RYC)

The objectives of the RYC ("whistleblowing") process are to ensure that Nordea group employees and customers have the right to and feel safe when speaking up if they witness or suspect misconduct or unethical behaviour. The RYC process encompasses ways to report a suspected breach of ethical standards, or breach of internal or external rules. Concerns can be raised openly, confidentially or anonymously by individuals. The RYC process also outlines rules and procedures for how RYC investigations are conducted.

Complaints Handling

The objective of complaints handling is to ensure customer satisfaction and to identify pain points for IT-development or process changes. Complaints handling is managed by the customer responsible units together with the "Customer Ombudsman" as regulated by an intra-group agreement. Reporting on the number and types of complaints is produced monthly and presented to members of NE management together with ongoing or proposed mitigating actions per complaint area.

Third Party Risk Management (TPRM)

The objective of TPRM is to ensure compliance to regulatory requirements and that risks related to Third Parties (TPs) and TP Activities, including but not limited to outsourcing, are appropriately managed both before, during as well as when exiting a TP arrangement. While Nordea Eiendomskreditt may delegate day-to-day operational activities to TPs, Nordea Eiendomskreditt always remains fully accountable and responsible and must demonstrate effective over-sight and governance of the procured or outsourced services and functions.

Business Continuity and Crisis Management (BC & CM)

The objective of BC & CM is the overall risk management under which Nordea Eiendomskreditt is building and maintaining the appropriate levels of resilience, readiness, response and management of extraordinary events and crises. The Business Continuity Plan sets out the procedures to respond, recover, resume and restore operations following an extraordinary event. Crisis Management provides the governance to execute plans and enhance decision making during a crisis.

Information Security Management

The objective of Information Security Management is to ensure the protection and preservation of information with respect to confidentiality, integrity and availability. The Nordea group's information security management system, consisting of e.g. policies, procedures, tools and methods, supports the management and control of information security risks as well as the protection and preservation of information security and the achievement of business objectives.

Significant/Key Operating Processes (SiOPs)

The objective of the SiOPs framework is to identify and document SiOPs to ensure risks and controls in the most important processes are assessed and managed, for these processes to operate as intended, which includes ensuring Nordea Eiendomskreditt's customers are offered products and services in a compliant, safe and timely way.

Reputational Risk

The objective of Reputational Risk Management is to protect the Nordea group's and Nordea Eiendomskreditt's reputation. Reputational risk is defined as the risk of damage to the trust in the Nordea brand from our customers, employees, authorities, investors, partners and the general public with the potential for adverse financial impact. Reputational risk is often an impact from, or a cause of, other types of risks, e.g. credit, liquidity, market, operational, compliance and legal risks inherent in the business. A reputational risk framework with guiding principles for managing reputational risk has been developed. The framework is strongly linked with the risk management framework and related processes for identifying, assessing and mitigating risk. It includes considering stakeholders' perceptions in the decision-making processes.

Minimum own funds requirement for operational risk

Nordea Eiendomskreditt's own funds requirements for operational risk are calculated according to the standardized approach. In this approach, the institution's activities are divided into eight standardised business lines and the gross income-based indicator for each business line is multiplied by a predefined beta coefficient. The consolidated own funds requirement for operational risk is calculated as the average of the last three years' own funds requirement.

Compliance risk

Nordea defines compliance risk as the risk of failure to comply with applicable Regulations and related internal rules governing Nordea's activities in any jurisdiction where Nordea operates. The key governance principle for management of risks at Nordea is the three Lines of Defence ("LoD") model.

1LoD is represented by the staff in Nordea Eiendomskreditt performing business activities as well as staff in the Nordea group operating under intra-group agreement on account of Nordea Eiendomskreditt. All employees in the 1LoD have a role of understanding and adhering to prudent risk management and are accountable for managing Compliance Risks as part of performing their tasks. All managers are fully responsible for the risks they assume and are accountable for ensuring compliance with applicable Regulations within their respective area of responsibility. Hence, they are responsible for ensuring that the appropriate organisation, governance, controls, procedures and support systems are implemented to ensure a sufficient system of internal controls.

Group Risk (GR) and Group Compliance (GC) represent Nordea's independent second line of defence (2nd LoD) control function. GR & GC oversee the implementation of the financial and the non-financial risk policies and according to a risk-based approach, monitor and control the Risk Management Framework including the Compliance Risk Management Framework and oversee that all risks that Nordea is or could be exposed to, are identified, assessed, monitored, managed and reported on. GR is organized in divisions with individual risk type responsibility. The following divisions are part of GR; Group Credit Risk Control & Model Validation, Group Financial Risk Management & Control, Group Operational Risk, Risk Models, Chief Security Office and Group Risk COO.

Group Compliance (GC) constitutes the compliance function for Nordea Eiendomskreditt according to intra-group agreement and is responsible for developing and maintaining the risk management framework for managing compliance risks in cooperation with other functions in GR and for guiding the business in their implementation of the framework to ensure continuous adherence to the framework. GC is responsible for regular reporting to NE Board and NE CEO at least quarterly. GC reports on the status and development of Nordea Eiendomskreditt's compliance risks including information on major deficiencies along with consequence analyses and emerging risks and trends; status and key observations from monitoring activities and investigations; general updates on Financial Supervisory Authority interactions and impact; and preparations on regulatory changes. The reports shall also contain recommendations on actions to be undertaken to mitigate Compliance Risk.

For compliance related risks, appointed Compliance Officer conduct the CIRA (Compliance Independent Risk Assessment) process and challenge the 1LoD's RCSA results on compliance risks. The objective of the CIRA process is to provide an independent view on the Compliance Risk exposure and to assess, challenge and advise the 1LoD on implementation of an effective risk management framework. The CIRA process is an independent 2LoD risk assessment conducted in parallel with the RCSA, where the CIRA is a top down risk assessment using the same assessment methodology as in the RCSA process.
Group Internal Audit (GIA) represents the 3LoD according to intra-group agreement. GIA conducts risk based and general audits and shall assess whether the internal control framework is both effective and efficient, including assessing whether existing policies and procedures and group internal Rules remain adequate and comply with legal and regulatory requirements, and with the risk appetite and strategy of Nordea. GIA is also in charge of the independent review of 1LoD and 2LoD including ensuring that the segregation of duties is defined and established between risk management (1LoD) and risk control (2LoD).

Customer Protection

The aim of Customer Protection is to ensure fair treatment of customers and fair customer outcomes. Treating customers fairly include open and transparent communication, meeting the customer needs (outcome focused), employee awareness, honest and open approach in customer complaints and communication as well as timely, accurate and relevant management information. The key areas covered in Customer Protection are financial advice (including mortgage credit offering), product governance arrangements, employee knowledge and competence, and customer complaints handling. Customer Protection related to advisory activities seeks to ensure that advice given to the customers meets customers' needs and circumstances; the advice given on suitable products; and that lending is responsible. Customer Protection related to products and services consists of delivering high quality, good, and valuable products and services which meet customer needs. This means defining and meeting target market, delivering value for money and provision of fair product materials and customer communications. It is also important to manage conflicts of interest in relation to products and services. In 2019, enhancements were implemented in regular product reviews and approval process. Customer complaints are an important tool for monitoring customer protection. The complaints handling framework has in the recent years been developed and the process is renewed with clear and regular reporting, a strong feedback culture, root cause analysis and mitigating activities.

Conduct Risk Management

Conduct risk is defined as the risk of inappropriate culture and behaviour of employees, or the risk that intentional or unintentional actions across the end to end customer lifecycle can lead to unfair outcomes and harm for customers or disrupt market integrity. Conduct risk management approaches are continuously developed to ensure that culture and employee behaviours are consistent with the values, and that employees deliver fair outcomes for customers across all stages of the customer lifecycle. This includes driving a strong focus on putting the customer first in the business strategy, the design and development of products, the sales, and the ongoing service provided to Nordea Eiendomskreditt's customers.

Financial Crime Prevention

Financial crime is a serious threat to the security and integrity of the global financial system, and cooperation between banks and authorities is what is required to fight it. It is a joint responsibility to improve safety in the global financial system. The Nordea group is committed to comply with applicable laws and regulations concerning anti-money laundering, counter terrorist financing, sanctions, bribery and corruption in the jurisdictions in which Nordea operates. Nordea and Nordea Eiendomskreditt will not accept being exploited for money laundering or any other types of financial crime. Therefore, a number of global policies has been established by the Nordea group in order to achieve robust and consistent standards of compliance. These have been adopted by the NE Board and support the broader customer strategy, values and vision, and provide a uniform set of risk management principles and mandatory standards for Nordea Eiendomskreditt and the Nordea group as a whole.

It is important for Nordea Eiendomskreditt that robust risk-based due diligence measures are conducted when onboarding new customers, and on a continuous basis. By knowing customers and counterparties well, screening and monitoring activities can be performed to detect suspicious or illegal activity and reported to the authorities for further investigation. Nordea Eiendomskreditt has outsourced to the customer responsible units in the Nordea Group to perform all due diligence measures and regulated this service in an intra-group outsourcing agreement.

To detect suspicious transactions, monitoring systems and controls are in place to detect transaction activities that are outside normal activity patterns. Every year, these processes generate hundreds of thousands of alerts in the Nordea group, although only a fraction is for Nordea Eiendomskreditt's customers. All alerts are managed and, where necessary, investigated for potential suspicious activity which may result in a Suspicious Activities Report being filed with the relevant authorities in the relevant jurisdictions.

Nordea Eiendomskreditt also has an obligation to comply with all international and local sanctions programmes. Nordea Eiendomskreditt's customers and their transactions are therefore screened against applicable sanctions lists to ensure adherence to sanctions requirements. In recent years, considerable improvements have been implemented to reduce financial crime risks through significant investment in technology, capabilities and more sophisticated assessment techniques.

Liquidity risk

Liquidity management

During 2021, Nordea Eiendomskreditt continued to benefit from its prudent liquidity risk management, in terms of maintaining a diversified and strong funding base and a diversified liquidity buffer. Nordea maintained a strong liquidity position throughout the period of Covid-19-related market stress. Throughout 2021, Nordea Eiendomskreditt remained compliant with the requirement in Liquidity Coverage Ratio (LCR).

Liquidity risk definition and identification

Liquidity risk is the risk of being unable to service the cash flow obligations when they fall due; or unable to meet the cash flow obligations without incurring significant additional funding costs. Nordea Eiendomskreditt is exposed to liquidity risk in its lending, investment, funding, off-balance sheet exposures and other activities which could result in a negative cash flow mismatch. Nordea Eiendomskreditt's liquidity management is an integral part of the Nordea group's liquidity risk management.

Management principles and control

Liquidity risk in the Nordea group is managed across three LoD: 1LoD comprises Treasury and the Business Areas (Nordea Eiendomskreditt included). Treasury is responsible for the day to day management of the liquidity positions, liquidity buffers, external and internal funding including the mobilisation of cash around the Nordea group, and Funds Transfer Pricing (FTP). Nordea Eiendomskreditt and Treasury have entered into an intra-group agreement for the purpose of liquidity risk management.

2LoD, which includes NE CRO and units within the Nordea group's Group Risk and Compliance (GRC) acting in accordance with intra-group agreement, are responsible for independently overseeing and challenging providing independent oversight of and challenge to 1LoD.

3LoD includes Group Internal Audit (GIA), which is responsible for providing independent oversight of 1LoD and 2LoD. NE Board defines the liquidity risk appetite by setting limits for applied liquidity risk metrics. The most central metrics are the Liquidity Coverage Ratio (LCR) as well as the internal Liquidity Stress Horizon, which set a minimum survival period of three months under institution-specific and market-wide stress scenarios with limited mitigation actions. A framework of limits and monitoring metrics is in place to ensure Nordea Eiendomskreditt stays within various risk parameters including the risk appetite.

Liquidity risk management strategy

Nordea Eiendomskreditt's liquidity management strategy is based on policy statements resulting in various liquidity risk measures, limits and organisational procedures. Policy statements stipulate that Nordea Eiendomskreditt's liquidity management reflects a conservative attitude towards liquidity risk. Nordea Eiendomskreditt strives to diversify its sources of funding (to larger pool of investors) and seeks to establish and maintain relationships with investors in order to ensure market access.

Nordea Eiendomskreditt's funding programme is limited to long-term covered bonds. Short- and medium-term funding are arranged as intra-group loans priced at market rate. Trust is fundamental in the funding market; therefore, Nordea Eiendomskreditt periodically publishes information on the liquidity situation and the cover pool. Furthermore, Nordea Eiendomskreditt regularly performs stress testing of the liquidity risk position and the cover pool and is covered by the Nordea group's business contingency plans for liquidity crisis management.

Liquidity risk measurement

To ensure funding in situations where Nordea Eiendomskreditt is in urgent need of cash and the normal funding sources do not suffice, Nordea Eiendomskreditt holds a liquidity buffer. The liquidity buffer consists of central bank eligible, high credit quality and liquid securities that can be readily sold or used as collateral in funding operations. Liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. Short-term liquidity risk is limited via the Liquidity Coverage ratio as well as the internal parameters Liquidity Stress Coverage and Liquidity Stress Horizon. The internal parameters stipulate that the liquidity buffer needs to be sufficient to cover peak cumulative stressed outflows experienced over the first three months of a combined stress event, whereby Nordea Eiendomskreditt is subject to a market-wide stress similar to what many banks experienced in 2007-08; and an idiosyncratic stress corresponding to a three-notch credit rating downgrade. Long-term structural liquidity risk is limited via the Net Stable Funding Ratio (NSFR) which will be implemented in RAF from 1st of January 2022. Together these metrics form the basis for Nordea Eiendomskreditt's liquidity risk appetite, which is reviewed and approved by the NE Board at least annually.

Liquidity risk analysis

The Liquidity Coverage Ratio (LCR) according to the EBA Delegated Act was 462% (1262%) at the end of the year. Nordea Eiendomskreditt does not have other significant currencies than Norwegian krone.
The Liquidity Stress Coverage (LSC) and Liquidity Stress Horizon (LSH) were at the end of the year 169% (178%) and 165 days (166 days) respectively. Net Stable Funding Ratio (NSFR) was at the end of the year 107.5% (112.5%).

Note 3
Net interest income

NOKt	2021	2020
Interest income calculated using the effective interest rate method	4 890 037	5 491 474
Other interest income	27 394	51 735
Interest expense	2 078 100	3 144 447
Net Interest income	**2 839 331**	**2 398 762**
Interest income calculated using the effective interest rate method		
Loans to credit institutions	1 534	2 186
Loans to customers	4 833 878	5 449 585
Yield fees	71 825	53 993
Net interest paid or received on derivatives in accounting hedges of assets	-17 200	-14 291
Interest income calculated using the effective interest rate method	**4 890 037**	**5 491 474**
Other interest income		
Interest-bearing securities measured at fair value	27 394	51 735
Other interest income[1]	**27 394**	**51 735**
Interest expense		
Deposits by credit institutions	-1 127 365	-1 498 762
Debt securities in issue	-1 037 868	-1 831 671
Subordinated loan capital	-42 694	-61 820
Other interest expenses[1]	-130 447	-90 378
Net interest paid or received on derivatives in hedges of liabilities	260 274	338 189
Interest expense	**-2 078 100**	**-3 144 441**

Interest from categories of financial instruments

NOKt	2021	2020
Financial assets at amortised cost	4 907 237	5 505 765
Financial assets at fair value through profit or loss (related to hedging instruments)[1]	10 194	37 444
Financial liabilities at amortised cost	-2 338 374	-3 482 636
Financial liabilities at fair value through profit or loss	260 274	338 189
Net interest income	**2 839 331**	**2 398 762**

[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.

Note 4
Net result from items at fair value

Net gains/losses for categories of financial instruments

NOKt	**2021**	**2020**
Financial instruments at FVPL - Mandatorily[1]	10 815	-21 292
Financial instruments under hedge accounting	-185 631	-12 800
- of which net gains/losses on hedged items	395 414	-504 547
- of which net gains/losses on hedging instruments	-581 045	491 747
Other financial instruments	0	0
Total	**-174 815**	**-34 092**

[1]Financial Instruments at "Fair value through profit and loss (FVPL) - Mandatorily" comprises of interest bearing securities and derivatives held for economic hedging, which do not meet the requirements for hedge accounting according to IAS 39.

Note 5
Staff costs

NOKt	2021	2020
Salaries and remunerations	17 528	16 406
Pension costs (note 13)	2 594	2 509
Social security contributions	3 990	3 566
Allocation to profit-sharing [1]	485	149
Other staff costs	337	324
Total	**24 934**	**22 954**

[1] Allocation to profit-sharing foundation in 2021 consisted of a new allocation of NOK 533t and release of NOK 48t related to prior years. In 2020 new allocation amounted to NOK 303t and NOK 154t was related to prior years.

Number of employees/full time positions	**2021**	**2020**
Number of employees at 31 Dec	20	18
Number of full time equivalents at 31 Dec	19,5	17,5
Gender distribution of Board members (percentage at year end)		
- Men	50 %	33 %
- Women	50 %	67 %

Explanations of individually specified remuneration in the table below.

Fixed salary and fees - relates to received regular salary for the financial year paid by Nordea Eiendomskreditt AS.

Variable salary - includes profit sharing and executive bonuses. All employees receive profit sharing according to common Nordea strategy.

Benefits - includes insurance and electronic communication allowance.

Pensions - includes changes in the individual's accrued rights under the pension plan during the financial year. The amount stated is the annual change in the present value of the pension obligations (PBO) exclusive of social security tax, which best reflects the change in pension rights for the financial year.

31 Dec 2021, NOKt **Executive management of Nordea Eiendomskreditt AS**	**Fixed salary and fees**	**Variable salary**	**Other benefits**	**Pensions**	**Total remunerations**
Børre Sten Gundersen, CEO	1 594	389	365	252	2 600
Total for the executive management	**1 594**	**389**	**365**	**252**	**2 600**
Board of Directors of Nordea Eiendomskreditt AS					
Gro Elisabeth Lundevik	140				140
Alex Madsen	140				140
Total for the directors of Nordea Eiendomskreditt AS	**280**	**0**	**0**	**0**	**280**
Total remuneration of executive management and elected officers of Nordea Eiendomskreditt AS	**1 874**	**389**	**365**	**252**	**2 880**

No director's fee is paid to directors who are employees of the Nordea group. The fees shown in the table are fees paid in 2021 for services provided in 2020.

Nordea Eiendomskreditt has provided mortgage loans to its employees, but loans to the executive management are made from the balance sheet of Nordea Bank Norway.

The company has not entered into any agreements that entitle the Managing Director or the Chairman of the Board to spesific compensation in the event of any change in their employment or office.

31 Dec 2020, NOKt **Executive management of Nordea Eiendomskreditt AS**	**Fixed salary and fees**	**Variable salary**	**Other benefits**	**Pensions**	**Total remunerations**
Børre Sten Gundersen, CEO	1 577	630	292	223	2 722
Total for the executive management	**1 577**	**630**	**292**	**223**	**2 722**
Board of Directors of Nordea Eiendomskreditt AS					
Gro Elisabeth Lundevik	27				27
Alex Madsen	130				130
Total for the directors of Nordea Eiendomskreditt AS	**157**	**0**	**0**	**0**	**157**
Total remuneration of executive management and elected officers of Nordea Eiendomskreditt AS	**1 734**	**630**	**292**	**223**	**2 879**

Note 6
Other expenses

NOKt	2021	2020
Market data services	5 212	5 210
Services bought from Group companies	1 650 098	863 495
Auditor's fee	1 547	1 016
Resolution fees	34 121	15 849
Other operating expenses	4 140	8 533
Total	**1 695 118**	**894 103**

Auditor's fee for 2021 comprise NOKt 1,547 incl.VAT, of w hich NOKt 1,412 relates to audit w ork and NOKt 135 relates to other services.

Note 7
Loan losses

Based on IFRS 9

NOKt	2021	2020
Net loan losses, Stage 1	-8 820	28 779
Net loan losses, Stage 2	13 454	33 737
Total loan losses, non-defaulted	**4 634**	**62 515**
Stage 3, defaulted		
Net loan losses, individually assessed, collectively calculated	33 639	34 123
Realised loan losses	28 986	8 103
Decrease of provisions to cover realised loan losses	-6 662	-4 026
Recoveries on previous realised loan losses	-515	0
New /increase in provisions	0	0
Reversals of provisions	-7 076	-2 426
Net loan losses, defaulted	**48 372**	**35 775**
Net loan losses	**53 006**	**98 290**

Key ratios

	2021	2020
Loan loss ratio, basis points	1,91	3,82
- of w hich stage 1	-0,32	1,12
- of w hich stage 2	0,49	1,31
- of w hich stage 3	1,75	1,39

Note 8
Taxes

Income tax expense

NOKt	2021	2020
Current tax[1]	218 311	391 569
Deferred tax[2]	23 649	-35 324
Total	**241 960**	**356 245**
[1] of which relating to prior years	0	8 210
[2] of which relating to prior years	0	-8 143
Total	0	67

Current and deferred tax recognised in Other comprehensive income		
Deferred tax on remeasurements of pension obligations DBP	-519	1 213
Deferred tax relating to cash flow hedges	-9 936	-4 868
Total	**-10 455**	**-3 655**

Tax on the company's operating profit may differ from the theoretical amount that w ould arise using the tax rate in Norw ay, as follow s:

NOKt	2021	2020
Profit before tax	967 819	1 424 056
Tax calculated at a tax rate of 25%	-241 955	-356 014
Non-deductable expenses	-5	-164
Tax exempt income	0	0
Change of tax rate [1]	0	0
Adjustments related to prior years	0	-67
Total tax charge	**-241 960**	**-356 245**
Average effective tax rate	-25,0 %	25,0 %

Deferred tax

NOKt	2021	2020
Deferred tax expense (-) / income (+)		
Deferred tax due to temporary differences	-23 649	27 184
Income tax expense, net	**-23 649**	**27 184**

	Deferred tax assets		Deferred tax liabilities	
NOKt	2021	2020	2021	2020
Deferred tax assets/liabilities related to:				
Financial instruments and derivatives			-136 715	-103 004
Retirement benefit obligations	6 502	6 926		
Property and equipment	,	,	-126	-158
Other				
Netting betw een deferred tax assets and liabilities	-6 502	-6 926	6 502	6 926
Total deferred tax assets/liabilities	**0**	**0**	**-130 340**	**-96 236**

Movements in deferred tax assets/liabilities net, are as follows:	**2021**	**2020**
Balance at 1 January	-96 236	-128 020
Deferred tax relating to items recognised in Other comprehensive income	-10 455	-3 655
Adjustments relating to prior years	0	8 255
Deferred tax in the income statement	-23 649	27 185
Balance at 31 December	**-130 340**	**-96 236**

Deferred income tax assets and liabilities are offset w hen there is a legally enforceable right to offset current tax assets against current tax liabilities and w hen the deferred tax income taxes relates to the same fiscal authority.

Deferred tax totalling tNOK 130.340 is carried in the balance sheet in full since the company expects to be able to offset this against future earnings. Nordea Eiendomskreditt had no tax losses carried forw ard at 31 December 2021.

Note 9
Loans and impairment

NOKt	31 Dec 2021	31 Dec 2020
Loans measured at amortised cost, impaired (Stage 1 and 2)	285 729 218	265 461 969
Impaired loans (Stage 3)	504 390	777 534
- Servicing	144 288	183 567
- Non-servicing	360 102	593 967
Loans before allowances	**286 233 609**	**266 239 503**
Allowances for individually assessed impaired loans (Stage 3)	-95 205	-75 304
- Servicing	-18 218	-9 092
- Non-servicing	-76 987	-66 213
Allowances for collectively assessed impaired loans (Stage 1 and 2)	-121 438	-114 948
Allowances	**-216 643**	**-190 252**
Loans, carrying amount	**286 016 966**	**266 049 251**

Accrued interest on loans to the public is included with NOKt 230.278 at 31 December 2021.

Nordea Eiendomskreditt does not have any financial instruments for which a loss allowance has not been recognised because of the collateral.

Reconciliation of allowance accounts for impaired loans

NOKt	Individually calculated	Collectively calculated	Total
Opening balance at 1 January 2021	**13 246**	**177 006**	**190 252**
Provisions	0	40 129	40 129
Reversals of previous provisions	-7 076	0	-7 076
Allowances used to cover realised loan losses	-6 662	0	-6 662
Changes through the income statement	**-13 738**	**40 129**	**26 391**
Closing balance at 31 December 2021	**-492**	**217 135**	**216 643**

[1] See also Note 7 Loan losses

NOKt	Individually calculated	Collectively calculated	Total
Opening balance at 1 January 2020	**19 699**	**83 414**	**103 114**
Provisions	0	93 592	93 592
Reversals of previous provisions	-2 427	0	-2 427
Allowances used to cover realised loan losses	-4 026	0	-4 026
Changes through the income statement	**-6 453**	**93 592**	**87 139**
Changes due to acquisition	0	0	0
Closing balance at 31 December 2020	**13 246**	**177 006**	**190 252**

Note 9

Loans and impairment cont.

Carrying amount of loans measured at amortised cost, before allowances

	Credit institutions				The public			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	**471 612**	**0**	**0**	**471 612**	**255 563 493**	**9 898 476**	**777 534**	**266 239 503**
Changes due to origination and acquisition	0	0	0	0	106 295 970	850 161	2 443 552	109 589 683
Changes due to transfers between Stage 1 and Stage 2, (net)	0	0	0	0	-862 131	862 131	0	0
Changes due to transfers between Stage 2 and Stage 3, (net)	0	0	0	0	0	-297 413	297 413	0
Changes due to transfers between Stage 1 and Stage 3, (net)	0	0	0	0	-70 553	0	70 553	0
Changes due to repayments and disposals	-73 816	0	0	-73 816	-108 486 829	-3 509 255	187 331	-111 808 753
Changes due to write-offs	0	0	0	0	0	0	-28 982	-28 982
Other changes	0	0	0	0	22 546 648	2 938 520	-3 243 011	22 242 157
Translation differences	0	0	0	0	0	0	0	0
Closing balance at 31 December 2021	**397 796**	**0**	**0**	**397 796**	**274 986 599**	**10 742 619**	**504 390**	**286 233 609**

	Credit institutions				The public			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	**267 389**	**0**	**0**	**267 389**	**231 280 284**	**13 913 779**	**784 011**	**245 978 075**
Changes due to origination and acquisition	0	0	0	0	84 259 107	929 799	3 193 826	88 382 732
Changes due to transfers between Stage 1 and Stage 2, (net)	0	0	0	0	-4 409 879	4 409 879	0	0
Changes due to transfers between Stage 2 and Stage 3, (net)	0	0	0	0	0	541 533	-541 533	0
Changes due to transfers between Stage 1 and Stage 3, (net)	0	0	0	0	340 362	0	-340 362	0
Changes due to repayments and disposals	204 223	0	0	204 223	-83 652 692	-2 034 273	-1 239 507	-86 926 473
Changes due to write-offs	0	0	0	0	0	0	-8 111	-8 111
Other changes	0	0	0	0	27 746 310	-7 862 241	-1 070 790	18 813 280
Translation differences	0	0	0	0	0	0	0	0
Closing balance at 31 December 2020	**471 612**	**0**	**0**	**471 612**	**255 563 493**	**9 898 476**	**777 534**	**266 239 503**

Movements of allowance accounts for loans measured at amortised cost

	The public			
NOKt	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	**-41 946**	**-73 003**	**-75 304**	**-190 252**
Changes due to origination and acquisition	-111 866	-24 110	-47 211	-183 187
Changes due to transfers from Stage 1 to Stage 2	13 639	-130 423	0	-116 784
Changes due to transfers from Stage 1 to Stage 3	534	0	-23 372	-22 838
Changes due to transfers from Stage 2 to Stage 1	-5 243	118 254	0	113 011
Changes due to transfers from Stage 2 to Stage 3	0	90 243	-166 025	-75 782
Changes due to transfers from Stage 3 to Stage 1	-56	0	9 204	9 149
Changes due to transfers from Stage 3 to Stage 2	0	-3 900	13 681	9 781
Changes due to changes in credit risk without stage transfer	26 758	-134 258	45 360	-62 140
Changes due to repayments and disposals	83 026	70 913	141 799	295 738
Write-off through decrease in allowance account	0	0	6 662	6 662
Changes due to update in the institution's methodology for estimation (net)	0	0	0	0
Other changes	0	0	0	0
Translation differences	0	0	0	0
Closing balance at 31 December 2021	**-35 154**	**-86 284**	**-95 205**	**-216 643**

	The public			
NOKt	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	**-15 559**	**-39 837**	**-47 718**	**-103 114**
Changes due to origination and acquisition	-171 518	-28 846	-54 438	-254 802
Changes due to transfers from Stage 1 to Stage 2	2 327	-233 261	0	-230 933
Changes due to transfers from Stage 1 to Stage 3	75	0	-50 363	-50 288
Changes due to transfers from Stage 2 to Stage 1	-8 027	38 388	0	30 361
Changes due to transfers from Stage 2 to Stage 3	0	5 949	-40 408	-34 459
Changes due to transfers from Stage 3 to Stage 1	-366	0	1 396	1 030
Changes due to transfers from Stage 3 to Stage 2	0	-39 009	208 211	169 202
Changes due to changes in credit risk without stage transfer	144 388	209 861	-121 018	233 231
Changes due to repayments and disposals	6 733	13 752	25 008	45 493
Write-off through decrease in allowance account	0	0	4 026	4 026
Changes due to update in the institution's methodology for estimation (net)	0	0	0	0
Other changes	0	0	0	0
Translation differences	0	0	0	0
Closing balance at 31 December 2020	**-41 946**	**-73 003**	**-75 304**	**-190 252**

Note 9
Loans and impairment cont.

Rating / scoring information for loans measured at amortised cost

Rating /scoring grade	Gross carrying amounts 31 Dec 2021 Stage 1	Stage 2	Stage 3	Total	Gross carrying amounts 31 Dec 2020 Stage 1	Stage 2	Stage 3	Total
A+	126 724 849	465 653	13 982	127 204 483	115 074 603	323 664	12 973	115 411 240
A	40 865 638	299 899	12 372	41 177 909	34 548 224	246 969	14 611	34 809 805
A-	29 442 915	376 639	4 387	29 823 942	26 541 648	406 095	8 931	26 956 674
B+	19 022 888	376 072	3 240	19 402 200	18 479 711	450 443	2 942	18 933 097
B	16 046 332	603 163	6 997	16 656 491	14 450 051	632 559	4 468	15 087 079
B-	8 969 294	771 309	1 425	9 742 028	8 881 723	777 392	3 211	9 662 327
C+	5 750 447	876 526	5 364	6 632 337	5 525 272	820 068	18 880	6 364 221
C	4 543 574	1 129 415	12 676	5 685 665	4 468 485	1 033 051	3 311	5 504 847
C-	3 025 170	621 977	6 934	3 654 081	3 604 566	737 568	5 251	4 347 385
D+	2 468 488	788 305	7 574	3 264 367	2 581 706	682 785	7 230	3 271 721
D	1 946 487	717 683	9 725	2 673 896	1 974 176	658 678	5 514	2 638 368
D-	9 643 557	1 653 564	6 346	11 303 466	7 688 333	727 600	17 898	8 433 831
E+	4 148 933	552 074	2 300	4 703 307	4 112 305	588 092	18 940	4 719 337
E	526 054	336 671	2 742	865 467	720 237	374 441	3 307	1 097 984
E-	495 007	354 255	3 536	852 797	709 359	351 069	4 478	1 064 906
F+	383 913	268 792	16 842	669 547	0	0	0	0
F	42 584	82 057	0	124 641	86 564	129 129	3 174	218 867
F-	115 722	318 311	25 320	459 353	0	0	0	0
0+ / 0 / 0-	192 073	146 043	362 628	700 743	967 907	881 371	628 708	2 477 986
Internal[1)]	523 581	0	0	523 581	0	0	0	0
Standardised/Unrated	506 891	4 211	0	511 102	5 620 235	77 499	13 707	5 711 441
Total	**275 384 396**	**10 742 619**	**504 390**	**286 631 405**	**256 036 358**	**9 898 476**	**777 534**	**266 711 115**

[1] Exposures towards Nordea entities.

Key ratios	**31 Dec 2021**	**31 Dec 2020**
Impairment rate, (stage 3) gross, basis points [1)]	17,6	29,2
Impairment rate (stage 3), net, basis points [2)]	14,3	26,4
Total allowance rate (stage 1, 2 and 3), basis points [3)]	7,6	7,1
Allowances in relation to credit impaired loans (stage 3), % [4)]	18,9	9,7
Allowances in relation to loans in stage 1 and 2 , basis points [5)]	4,3	4,3

[1] Impaired loans (Stage 3) before allowances divided by total loans measured at amortised cost before allowances.

[2] Impaired loans (Stage 3) after allowances divided by total loans measured at amortised cost before allowances.

[3] Total allowances divided by total loans measured at amortised cost before allowances.

[4] Allowances for impaired loans (stage 3) divided by impaired loans measured at amortised cost (stage 3) before allowances.

[5] Allowances for not impaired loans (stage 1 and 2) divided by not impaired loans measured at amortised cost (stage 1 and 2) before allowances.

Note 9
Loans and impairment cont.

Forbearance

Forbearance is eased terms or restructuring due to the borrower experiencing or about to experience financial difficulties. The intention with granting forbearance for a limited time period is to ensure full repayment of the outstanding debt. Examples of eased terms are changes in amortisation profile, repayment schedule, customer margin or eased financial covenants. Forbearance is undertaken on a selective and individual basis, approved according to the powers to act. Individual loan loss provisions are recognised if necessary. Forborne exposures can be servicing or non-servicing.

All Covid-19 related instalment-free periods have now expired. The carrying amount of loans where Nordea Eiendomskreditt had granted instalment-free periods at the end of the fourth quarter of 2021 amounted to NOK 22bn, which corresponds to 7,6% of the loan portfolio.

NOKt	31 Dec 2021	31 Dec 2020
Forborne loans	678 079	979 611
-of which defaulted	55 655	116 072
Allowances for forborne loans	11 038	8 378
-of which defaulted	5 159	2 375

Key ratios		
Forberance ratio, basis points [6)]	23,7	36,8
Forberance coverage ratio, % [7)]	1,6	0,9
-of which defaulted, %	9,3	2,0

[6]Forborne loans/Loans before allowances.

[7] Individual allowances/Forborne loans.

Sensitivities

One important factor in estimating expected credit losses in accordance with IFRS 9 is to assess what constitutes a significant increase in credit risk. To understand the sensitivities to these triggers, Nordea calculates model-based provisions under different scenarios.

The provisions are sensitive to rating migration even if the triggers are not reached. The table below shows the impact on provisions from a one-notch downgrade of all Nordea Eiendomskreditt's household lending portfolio. It includes both the impact of the higher risk for all exposures as well as the impact of transferring exposures from stage 1 to stage 2 that reach the trigger. It also includes the impact of exposures with one rating grade above default going into default. For more information on the rating scale, see table "Rating/scoring information on loans measured at amortised cost" above.

	31 Dec 2021		31 Dec 2020	
NOKm	Recognised provisions	Provision if one notch downgrade	Recognised provisions	Provision if one notch downgrade
Retail portfolios	217	279	190	257

Forward looking information

Forward looking information is used both for assessing significant increases in credit risk and in the calculation of expected credit losses. Nordea Eiendomskreditt uses three macroeconomic scenarios, a base scenario, a favourable scenario and an adverse scenario. For the fourth quarter of 2021 the scenarios were weighted into the final expected credit losses (ECL) using baseline 60%, adverse 20% and favourable 20% (baseline 50%, adverse 45% and favourable 5% at the end of December 2020 and baseline 60%, adverse 20% and favourable 20% at the end of September 2021). The consistency in weightings over the past few quarters reflects continued reduced uncertainty regarding the impact of the pandemic, less severe restrictions and the extension of vaccination programmes to include boosters and cover younger people.

Note 9
Loans and impairment cont.

The macroeconomic scenarios are provided by Group Risk in Nordea, based on the Oxford Economics model. The forecast is a combination of modelling and expert judgement, subject to thorough checks and quality control processes. The model has been built to give a good description of the historical relationships between economic variables and to capture the key linkages between those variables. The forecast period in the model is ten years, and for periods beyond, a long-term average is used in the ECL calculations.

The macroeconomic scenarios reflect Nordea's view of how the Nordic economies will potentially develop following the reopening of societies after Covid-19- related lockdowns. The scenarios take into account the macroeconomic effects of government and central bank support measures. When developing the scenarios, Nordea took into account projections made by Nordic governments and central banks, Nordea Research and the European Central Bank's macroeconomic forecasts for the euro area.

Economic projections from the Nordic central banks and the European Central Bank are used as a basis for the baseline scenario. In Norway real GDP has more than recovered from the fall in economic activity caused by the lockdowns of the past two years. Economic prospects are good, although growth is expected to be lower than in recent quarters. Strained global supply chains and bottlenecks are creating headwinds for growth but these problems are expected to subside as consumption patterns normalise, demand slows and production capacity is adjusted. The spread of Covid-19 has increased again and it is still unclear how serious the economic implications of the new Omicron variant are. The baseline scenario is that Omicron will not have any major impact on growth.

Nordea's two alternative macroeconomic scenarios cover a range of plausible impacts of the pandemic on the Nordic economies, reflecting the persisting uncertainty concerning the pandemic's future evolution and economic effects.

At the end of the fourth quarter of 2021 adjustments to model-based allowances/provisions (management judgements) amounted to NOK 39m, (NOK 27m at the end of the third quarter 2021 and NOK 108m at the end of 2020). The management judgements cover expected credit losses not yet covered by the IFRS 9 model. The cyclical reserve amounted to NOK 25m at the end of the fourth quarter of 2021 (NOK 25m at the end of the third quarter of 2021 and NOK 82m at the end of 2020) and the reserve covering issues identified in the IFRS 9 model to be later covered in model updates (structural reserve) amounted to NOK 14m (NOK 2m at the end of the third quarter of 2021 and NOK 26m at the end of 2020). The cyclical reserve was supported by additional portfolio modelling and was triggered by the substantial uncertainty in the macroeconomic development, as well as the need to account for future rating downgrades potentially underestimated by the IFRS 9 model through the updated macroeconomic scenarios. At the end of the fourth quarter of 2021 adjustments to model-based allowances/provisions (management judgements) amounted to NOK 39m, (NOK 27m at the end of the third quarter 2021 and NOK 108m at the end of 2020). The management judgements cover expected credit losses not yet covered by the IFRS 9 model. The cyclical reserve amounted to NOK 25m at the end of the fourth quarter of 2021 (NOK 25m at the end of the third quarter of 2021 and NOK 82m at the end of 2020) and the reserve covering issues identified in the IFRS 9 model to be later covered in model updates (structural reserve) amounted to NOK 14m (NOK 2m at the end of the third quarter of 2021 and NOK 26m at the end of 2020). The cyclical reserve was supported by additional portfolio modelling and was triggered by the substantial uncertainty in the macroeconomic development, as well as the need to account for future rating downgrades potentially underestimated by the IFRS 9 model through the updated macroeconomic scenarios.

Scenarios	2022	2023	2024	Un-weighted ECL, NOKm	Probability weight
Favourable scenario				18,1	20 %
GDP growth, %	4.6	1.7	1.4		
Unemployment, %	3.5	3.3	3.3		
Change in household consumption, %	10.2	4.0	2.3		
Change in house prices, %	3.9	2.5	2.4		
Baseline scenario				18,4	60 %
GDP growth, %	3.8	1.3	0.9		
Unemployment, %	3.7	3.6	3.7		
Change in household consumption, %	9.6	3.6	1.5		
Change in house prices, %	1.7	1.2	3.0		
Adverse scenario				19,3	20 %
GDP growth, %	1.2	1.2	1.1		
Unemployment, %	4.8	4.6	4.5		
Change in household consumption, %	8.0	2.7	1.1		
Change in house prices, %	-4.6	-3.0	1.4		

Note 10
Derivatives and hedge accounting

Nordea Eiendomskreditt enters into derivatives for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges, but do not meet the hedge accounting requirements. The table below shows the fair values of derivative financial instruments together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

31 Dec 2021, NOKt	Fair value Positive	Fair value Negative	Total nominal amount
Derivatives at FVPL - Mandatorily[1]:			
Interest rate swaps	-17 678	43 135	45 000 000
Total	**-17 678**	**43 135**	**45 000 000**
Derivatives used for hedge accounting:			
Interest rate swaps	274 265	16 477	12 794 000
Currency and interest rate swaps	392 171	0	4 208 000
Total	**666 436**	**16 477**	**17 002 000**
-of which fair value hedges[2]	274 265	16 477	12 794 000
-of which cash flow hedges[2]	392 171	0	4 208 000
Total derivatives	**648 759**	**59 611**	**62 002 000**

31 Dec 2020, NOKt	Fair value Positive	Fair value Negative	Total nominal amount
Derivatives at FVPL - Mandatorily[1]:			
Interest rate swaps	4 454	46 751	44 000 000
Total	**4 454**	**46 751**	**44 000 000**
Derivatives used for hedge accounting:			
Interest rate swaps	991 179	-7 533	22 714 000
Currency and interest rate swaps	427 426	0	4 340 730
Total	**1 418 605**	**-7 533**	**27 054 730**
-of which fair value hedges	991 179	-7 533	22 714 000
-of which cash flow hedges	427 426	0	4 340 730
Total derivatives	**1 423 059**	**39 218**	**71 054 730**

[1]Derivatives at "Fair value through profit and loss (FVPL) - Mandatorily" consists of derivatives held for economic hedging, which do not meet the requirements for hedge accounting according to IAS 39.

Hedge Accounting

Risk management

Nordea Eiendomskreditt manages its identified market risks according to the risk management framework and strategy described in the Market risk section in Note 2 "Risk and liquidity management".
Nordea Eiendomskreditt's exposure to market risk is non-trading (the Banking Book), and includes all hedges qualifying for hedge accounting. The hedging instruments and risks hedged are further described below per risk and hedge accounting relationship.

Interest rate risk

Nordea Eiendomskreditt’s primary business model is to grant mortgage loans and fund these by issuing covered bonds. Interest rate risk is the impact that changes in interest rates could have on Nordea Eiendomskreditt’s margins, profit or loss, and equity. Interest rate risk arises from mismatch of interest from interest-bearing liabilities and interest-bearing assets such as the loan portfolio and the liquidity portfolio.

As part of Nordea Eiendomskreditt’s risk management strategy, the Board has established limits on the non–trading interest rate gaps for the interest rate sensitivities. These limits are consistent with Nordea Eiendomskreditt’s risk appetite and the company aligns its hedge accounting objectives to keep exposures within those limits. Nordea Eiendomskreditt's policy is to monitor positions on a daily basis. For further information on measurement of risks, see the Market risk section in Note 2 "Risk and liquidity management".

For hedge accounting related to interest rate risk, the hedge relationship is mainly on a portfolio basis and is established by matching the notional of the derivatives against the principle of the hedged items.

The benchmark rate is determined as a change in present value of the future cash flows using benchmark rate discount curves. The

Note 10
Derivatives and hedge accounting cont.

benchmark rate is separately identifiable and reliably measurable and is typically the most significant component of the overall change in fair value or cash flows.

Fair value hedges

In order to reduce or eliminate changes in the fair value of financial assets and financial liabilities due to movements in interest rates, Nordea Eiendomskreditt enters into fair value hedge relationships as described in Note 1 section 8 Hedge accounting. Nordea Eiendomskreditt uses pay floating/receive fixed interest rate swaps to hedge its fixed rate liabilities.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e., notional amount, maturity, payment and reset dates).

The below table presents the accumulated fair value adjustments arising from continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the year.

Hedged items

	Interest rate risk	
NOKt	31 Dec 2021	31 Dec 2020
Fair value hedges		
Carrying amount of hedged assets[1]	1 461 976	2 044 490
- of which accumulated amount of fair value hedge adjustment[3]	-17 024	28 490
Carrying amount of hedged liabilties[2]	11 516 783	21 536 002
- of which accumulated amount of fair value hedge adjustment[3]	161 100	795 070

[1] Presented on the balance sheet rows Loans to the public and Fair value changes of the hedged items in portfolio hedge of interest rate risk.

[2] Presented on the balance sheet rows Debt securities in issue and Fair value changes of the hedged items in portfolio hedge of interest rate risk.

[3] Of which all relates to continuing portfolio hedges of interest rate risk.

Hedging instruments

	Fair value		
31 Dec 2021, NOKt	Positive	Negative	Total nom amount
Fair value hedges			
Interest rate risk	274 265	16 477	12 794 000

	Fair value		
31 Dec 2020, NOKt	Positive	Negative	Total nom amount
Fair value hedges			
Interest rate risk	991 179	-7 533	22 714 000

The below table presents the changes in the fair value of the hedged items and changes in fair value of the hedging instruments used as the basis for recognising ineffectiveness. These changes are recognised on the row “Net result from items at fair value” in the income statement.

Hedge ineffectiveness

	Interest rate risk	
NOKt	31 Dec 2021	31 Dec 2020
Fair value hedges		
Changes in fair value of hedging instruments	-531 205	490 980
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	528 784	-489 666
Hedge ineffectiveness recognised in the income statement	-2 421	1 314

Note 10
Derivatives and hedge accounting cont.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Nordea Eiendomskreditt operates with a policy of hedging all currency risk (fx risk). All assets and liabilities of any material amount that are denominated in foreign currencies are hedged through currency swaps. A change in foreign exchange rate will therefore not have any impact on the net result for the year or on the equity.

Cash flow hedges

For hedge accounting relationships related to currency risk, the hedged item is a foreign currency component. The hedging ration is one-to-one and is established by matching the notional of the derivatives against the principle of the hedged item.

The below tables provide information about the hedging instruments addressing currency risk including the notional and the carrying amounts of the hedging instruments as well as the cash flow hedge reserve.

Hedging instruments

	Fair value		
31 Dec 2021, NOKt	**Positive**	**Negative**	**Total nom amount**
Cash flow hedges			
Interest rate risk	392 171	0	4 208 000

	Fair value		
31 Dec 2020, NOKt	**Positive**	**Negative**	**Total nom amount**
Cash flow hedges			
Interest rate risk	427 426	0	4 340 730

In the below table, the fair value adjustments arising from continuing hedging relationships, irrespective of whether there has been a change in hedge designation during the year, are specified.

Cash flow hedge reserve

	Foreign exchange risk	
NOKt	**31 Dec 2021**	**31 Dec 2020**
Balance at 1 January	**-44 754**	**-59 357**
Cash flow hedges:		
Valuation gains/losses during the year	89 111	175 526
Tax on valuation gains/losses during the year	-22 278	-43 881
Transferred to the income statement during the year	-49 366	-156 055
Tax on transfers to the income statement during the year	12 342	39 014
Other comprehensive income, net of tax	**29 809**	**14 603**
Total comprehensive income		
Balance at 31 December	**-14 945**	**-44 754**

Note 10

Derivatives and hedge accounting cont.

Maturity profile of the nominal amount of hedging instruments – Fair value hedges

31 Dec 2021	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Instrument hedging interest rate risk	0	60 000	4 958 000	6 412 000	1 451 600	12 881 600
Total	**0**	**60 000**	**4 958 000**	**6 412 000**	**1 451 600**	**12 881 600**

31 Dec 2020	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Instrument hedging interest rate risk	0	178 000	9 742 000	6 332 000	6 462 000	22 714 000
Total	**0**	**178 000**	**9 742 000**	**6 332 000**	**6 462 000**	**22 714 000**

Maturity profile of the nominal amount of hedging instruments – Cash flow hedges

31 Dec 2021	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Instrument hedging foreign exchange risk	0	0	0	3 270 000	850 400	4 120 400
Total		**0**	**0**	**3 270 000**	**850 400**	**4 120 400**

31 Dec 2020	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Instrument hedging foreign exchange risk	0	0	132730	3 270 000	938 000	4 340 730
Total	**0**	**0**	**132 730**	**3 270 000**	**938 000**	**4 340 730**

Note 11

Cover pool

	31 Dec 2021		31 Dec 2020	
NOKt	**Nominal value**	**Net Present Value**	**Nominal value**	**Net Present Value**
Loans to the public	286 003 331	285 574 385	266 041 856	265 907 572
- w hereof pool of eligible loans	212 536 647	212 217 886	184 644 537	184 551 339
Supplementary assets and derivates:				
- w hereof CIRS	375 082	421 083	343 862	457 787
- w hereof IRS	0	366 191	0	1 113 390
Total cover pool	**212 911 729**	**213 005 160**	**184 988 400**	**186 122 516**
Debt securities in issue (net outstanding amount)	96 967 082	97 493 204	141 793 592	143 152 487
Over-collateralization calculated on net outstanding covered bonds	119,6%	118,5%	30,5%	30,0%
Debt securities in issue (issue amount)	96 967 082	97 493 204	141 793 592	143 152 487
Over-collateralization calculated on issued covered bonds (gross outstanding covered bonds)[1]	119,6%	118,5%	30,5%	30,0%

[1]without deduction for holdings of own bonds.

The guidelines for calculating the over-collateralization requirement in the Norw egian legislation is given in the Financial Undertakings Act (Act No.17 of 10 April 2015) Chapter 11 Bonds secured on a loan portfolio (covered bonds), and appurtenant regulations. The calculation shall be based on gross outstanding covered bonds and by use of Market values or Net present values. Due to different calculation methods, these may differ from Fair values disclosed in other notes to this Annual Report.

Note 12

Debt securities in issue and loans from financial institutions

	31 Dec 2021			31 Dec 2020		
NOKt	**Nominal value**	**Other [1]**	**Carrying amount**	**Nominal value**	**Other [1]**	**Carrying amount**
Covered bonds issued in Norwegian kroner	92 384 000			137 109 000		
Holdings of own covered bonds in Norwegian kroner	0			0		
Outstanding covered bonds issued in Norwegian kroner	**92 384 000**			**137 109 000**		
Covered bonds issued in GBP (in NOK)	3 581 232			3 637 567		
Covered bonds issued in EUR (in NOK)	1 001 850			1 047 025		
Total outstanding covered bonds	**96 967 082**	**1 166 404**	**98 133 486**	**141 793 592**	**949 980**	**142 743 573**
Loans and deposits from financial institutions for a fixed term	171 993 951	196 020	172 189 971	106 838 952	99 914	106 938 866
Subordinated loan	1 100 000	1 826	1 101 826	2 300 000	1 732	2 301 732
Total	**270 061 033**	**1 364 250**	**271 425 283**	**250 932 544**	**1 051 626**	**251 984 170**

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

Maturity information	31 Dec 2021	31 Dec 2020
Maximum 1 year	94 902 650	112 534 209
More than 1 year	175 158 383	138 398 335
Total	**270 061 033**	**250 932 544**

Norwegian covered bonds (NOKt) at 31 December 2021

ISIN code	Issue date	Final payment date	Interest	Interest rate in %	Currency	Outstanding nominal amount
NO0010593064	22.12.2010	18.06.2025	Fixed	4,80	NOK	550 000
NO0010758931	08.03.2016	15.06.2022	Fixed	1,80	NOK	4 615 000
NO0010759632	17.03.2016	15.06.2022	Float	3M Nibor + 0.78%	NOK	10 969 000
NO0010766827	21.06.2016	18.06.2031	Fixed	2,20	NOK	500 000
NO0010812084	11.12.2017	17.09.2043	Fixed	2,20	NOK	300 000
NO0010819717	21.02.2018	21.06.2023	Float	3M Nibor + 0.30%	NOK	18 550 000
NO0010821986	04.05.2018	04.05.2048	Fixed	2,60	NOK	300 000
NO0010843626	26.02.2019	19.06.2024	Float	3M Nibor + 0.34%	NOK	18 900 000
NO0010852650	22.05.2019	22.05.2026	Fixed	2,17	NOK	5 050 000
NO0010873334	22.02.2020	19.03.2025	Float	3M Nibor + 0.26%	NOK	11 400 000
NO0010893282	16.09.2020	16.09.2025	Float	3M Nibor + 1.50%	NOK	7 750 000
NO0010981301	21.04.2021	18.03.2026	Float	3M Nibor + 1.50%	NOK	6 500 000
NO0011151771	17.11.2021	17.09.2026	Float	3M Nibor + 0.75%	NOK	7 000 000
Total						**92 384 000**

Covered bonds issued in foreign currency (NOKt) at 31 December 2021

ISIN code	Issue date	Final payment date	Interest	Interest rate in %	Currency	Outstanding nominal amount
XS1837099339	18.06.2018	18.06.2023	Float	3M GBP Libor + 0.33%	GBP	300 000
XS1451306036	19.07.2016	15.07.2031	Fixed	0,74	EUR	100 000
Total (in NOKt equivalent)						**4 583 082**

Note 13
Retirement benefit obligations

NOKt	31 Dec 2021	31 Dec 2020
Defined benefit plans, net	-26 007	-27 703
Total	**-26 007**	**-27 703**

Nordea Eiendomskreditt sponsors both defined contribution plans (DCP) and defined benefit plans (DBP).

Nordea Eiendomskreditt is obliged to have an occupational pension scheme pursuant to the Mandatory Occupational Pension Plan Act. Nordea Eiendomskreditt's pension schemes meet the demands required by this act. The company has funded its pension obligations through Nordea Norge Pensjonskasse (pension fund), which is managed by Gabler AS, and are final salary and service based pension plans providing pension benefits on top of the statutory systems. The company also has retirement benefit obligations in connection with supplementary pensions and early retirement pensions, which are not covered by the pension fund. The defined benefit plan (DBP) is closed for new employees as from 2011, and pensions for new employees are instead based on defined contribution plan (DCP) arrangements. From 01 January 2017 employees born later than 1957 were converted to DCP. For employees effected by this change, all earned benefit will retain as paid-up premiums. The DCP arrangements are administered by Nordea Liv. Nordea Eiendomskreditt is also member of Fellesordningen for AFP (Avtalefestet Pensjon) established with effect from 2011. DCPs are not reflected in the balance sheet, unless when earned pension rights have not been paid for.

Defined benefit plans may impact Nordea Eiendomskreditt via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumption. Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

In 2016 the Board of Directors of Nordea Eiendomskreditt approved of changing the pension plan for employees born after 1957, and they were converted from DBP to DCP from 1 January 2017.

During 2021 employees in the DCP have had the following contribution rates:

* Pensionable salary representing 0-7.1 times G: 7%

* Pensionable salary representing 7.1-12 times G: 18%

The pension cost recognised in Nordea Eiendomskreditt's income statement (as staff costs) for the DCP is NOKt 1.555 in 2021.

IAS 19 Pension calculations and assumptions

Calculations are performed by external actuaries and are based on different actuarial assumptions.

Assumptions[1]	2021	2020
Discount rate[2]	1,96 %	1,80 %
Salary increase	2,25 %	1,75 %
Inflation	1,50 %	1,50 %
Social Security increase	2,25 %	1,75 %
Expected adjustments of current pensions	1,04 %	1,00 %

[1] The assumptions disclosed for 2021 have an impact on the liability calculation by year-end 2021, while the assumptions disclosed for 2020 are used for calculating the pension expense in 2021.

[2] More information on the discount rate can be found in Note 1 Accounting policies, section 14 Employee benefits. The sensitivities to changes in the discount rate can be found below.

Note 13
Retirement benefit obligations cont.

Sensitivities - Impact on Pension Benefit Obligation (PBO)	2021	2020
Discount rate - Increase 50bps	-7,9%	-8,1%
Discount rate - Decrease 50bps	8,8%	9,2%
Salary increase - Increase 50bps	0,2%	0,4%
Salary increase - Decrease 50bps	-0,2%	-0,3%
Inflation - Increase 50bps	8,6%	8,4%
Inflation - Decrease 50bps	-8,2%	-8,0%

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach since the actuarial assumptions usually are correlated. However, it enables the reader to isolate one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements. The 2021 sensitivity analysis now include the impact on the liabilities held for future SSC (social security contributions).

Net retirement benefit liabilities/assets

NOKt	2021	2020
Obligations	63 248	60 355
Plan assets	37 241	32 651
Net liability (-)/asset (+)	**-26 007**	**-27 703**

Movements in the obligation

NOKt	2021	2020
Opening balance	60 355	54 103
True up opening balance	0	0
Current service cost	252	214
Interest cost	999	1 103
Pensions paid	-1 286	-856
Past service cost	0	0
Settlements	0	0
Transfers between entities	0	0
Remeasurement from changes in financial assumptions	-1 845	5 838
Remeasurement from experience adjustments	4 773	-40
Closing balance before social security contribution	**63 247**	**60 361**
Change in provision for social security contribution [1]	1	-6
Closing balance	**63 248**	**60 355**

[1] Calculated on recognised amounts in the balance sheet.

The average duration of the PBO is 15 years based on discounted cash flows. The fact that all DBPs are closed for new entrants leads to lower duration. The increase in average duration during the year is due to changed assumptions.

Movements in the fair value of plan assets

NOKt	2021	2020
Opening balance	32 651	31 214
Interest income (calculated using the discount rate)	586	687
Pensions paid	-625	-195
Settlements	0	0
Contributions/refunds by employer	0	0
Transfers between entities	0	0
Remeasurement (actual return less interest income)	4 629	946
Closing balance	**37 241**	**32 651**

Note 13
Retirement benefit obligations cont.

Asset composition

The combined return on assets in 2021 was 4,6% (4,6%). All asset classes generated positive return with equities as the main driver. At the end of the year, the equity exposure in the foundation represented 22% (18%) of total assets.

Asset composition in funded schemes

	2021	2020
Equity	22 %	18 %
Bonds	60 %	66 %
Real estate	15 %	15 %
Other assets	3 %	1 %

Defined benefit pension costs and Defined contribution plan cost

The total net pension cost recognised in Nordea Eiendomskreditt's income statement (as staff costs) for 2021 is NOKt 2.594. The amount covers both funded and unfunded pension plans, DCP as well as AFP premium.

Recognised in the income statement, NOKt	**2021**	**2020**
Current service cost	252	214
Net interest	416	416
Past service cost and settlements	0	0
Social Security Contribution	120	120
Pension cost on defined benefit plans	**788**	**750**

Recognised in other comprehensive income, NOKt	**2021**	**2020**
Remeasurement from changes in financial assumptions	2 553	5 798
Remeasurement from experience adjustments	0	0
Remeasurement of plan assets (actual return less interest income)	-4 629	-946
Social security contribution	0	0
Pension cost on defined benefit plans	**-2 076**	**4 852**

The defined benefit pension plan cost for 2022 is expected to be NOKt 1.118.

Note 14
Assets pledged as security for own liabilities

NOKt	31 Dec 2021	31 Dec 2020
Assets pledged as security for own liabilities:		
Loans to the public	212 536 647	184 644 537
Total	**212 536 647**	**184 644 537**
The above pledges pertain to the following liability and committment items:		
Debt securities in issue (carrying amount)	98 133 486	142 743 573
Total	**98 133 486**	**142 743 573**

Assets pledged as security for own liabilities contain mortgage loans to the public that have been registered as collateral for issued covered bonds. Counterpart is the public. These transactions are long term with maturity 3-6 years.

The terms and conditions that apply to the collateral pledged are regulated by the Financial Undertakings Act (Act No. 17 of 10 April 2015) Chapter 11 Bonds secured on a loan portfolio (covered bonds), and appurtenant regulations.

Note 15
Commitments

NOKt	31 Dec 2021	31 Dec 2020
Accepted, not disbursed loans (unutilised portion of granted limit on flex loans)	27 874 717	24 650 647
Other commitments, excluding derivatives [1]	0	0
Total	**27 874 717**	**24 650 647**

[1] For information about derivatives, see Note 10 Derivatives and hedge accounting.

Note 16
Capital adequacy

Capital adequacy is a measure of the financial strength of a bank, usually expressed as a ratio of capital to assets. There is a worldwide capital adequacy standard (Basel III) drawn up by the Basel Committee on Banking Supervision. Within the EU, the capital adequacy requirements outlined in the Capital Requirement Directive IV (CRD IV) and Capital Requirement Regulation (CRR), entered into force on 1 January 2014. In Norway, CRR and CRD IV entered finally into force on 31 December 2019.

Over the years, amendments have been made to the first version of the capital adequacy regulation. In 2014, revised rules for calculating capital adequacy required higher capitalisation levels and better quality of capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk based requirement, measures to promote the build-up of capital to be drawn in periods of stress and new liquidity standards were introduced. The CRD IV and the BRRD were implemented through national law within all EU countries during 2014, while the CRR entered into force in all EU countries from the first of January 2014. In June 2019, the 'Banking package' containing revisions to the BRRD, the CRD and the CRR was adopted. The implementation of the 'banking package' in Norway is pending.

The Basel III framework is implemented in the EU through the CRR and the CRD IV and is built on three Pillars;

- Pillar I – requirements for the calculation of REA and capital requirements
- Pillar II – rules for the Supervisory Review Process (SRP), including the Internal Capital Adequacy Assessment Process (ICAAP)
- Pillar III – rules for the disclosure on risk and capital management, including capital adequacy

Nordea Eiendomskreditt performs an ICAAP with the purpose to review the management, mitigation and measurement of material risks within the business environment in order to assess the adequacy of capitalisation and to determine an internal capital requirement reflecting the risks of the institution.

The ICAAP is a continuous process which increases awareness of capital requirements and exposure to material risks throughout the organisation, both in the business area and legal entity dimensions. Stress tests are important drivers of risk awareness, looking at capital and risk from a firm-wide perspective on a regular basis and on an ad-hoc basis for specific areas or segments. The process includes a regular dialogue with supervisory authorities, rating agencies and other external stakeholders with respect to capital management, measurement and mitigation techniques used.

Nordea Eiendomskreditt's capital levels continue to be adequate to support the risks taken, both from an internal perspective as well as from the perspective of supervisors. Heading into 2020, Nordea will continue to closely follow the development of the new capital requirement regime as well as maintain its open dialogue with the supervisory authorities.

Note 16
Capital adequacy cont.

Summary of items included in own funds

NOKm	31 Dec[1] 2021	31 Dec[1] 2020
Equity	19 982	19 759
Proposed/actual dividend	-726	-534
Common Equity Tier 1 capital before regulatory adjustments	19 257	19 225
Deferred tax assets		
Intangible assets		
IRB provisions shortfall (-)	-130	-136
Pension assets in excess of related liabilities		
Other items, net	8	40
Total regulatory adjustments to Common Equity Tier 1 capital	-122	-97
Common Equity Tier 1 capital (net after deduction)	**19 135**	**19 128**
Additional Tier 1 capital before regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital		
Additional Tier 1 capital		
Tier 1 capital (net after deduction)	**19 135**	**19 128**
Tier 2 capital before regulatory adjustments	1 100	2 300
IRB provisions excess (+)	93	61
Deductions for investments in insurance companies		
Other items, net		
Total regulatory adjustments to Tier 2 capital	93	61
Tier 2 capital	1 193	2 361
Own funds (net after deduction)[2]	**20 328**	**21 489**

[1] Including profit for the period

[2] Own Funds adjusted for IRB provision, i.e. adjusted own funds equal NOK 21,564m by 31 Dec 2020

Own Funds, excluding profit

NOKm	31 Dec 2021	31 Dec 2020
Common Equity Tier 1 capital, excluding profit	19 136	18 591
Total Own Funds, excluding profit	20 329	20 952

Note 16
Capital adequacy cont.

Common Equity Tier 1 capital and Tier 1 capital
Common Equity Tier (CET) 1 capital is defined as eligible capital including eligible reserves, net of regulatory required deductions made directly to CET 1 capital. The capital recognised as CET 1 capital holds the ultimate characteristics for loss absorbance defined from a going concern perspective and represents the most subordinated claim in the event of liquidation. The Tier 1 capital is defined as the sum of CET 1 capital and Additional Tier 1 (AT1) capital where AT1 capital is the total of instruments (hybrids) issued by the bank that meet the transitional regulatory criteria and not included in the CET1 net after AT1 deductions. All AT1 capital instruments are undated subordinated capital loans.

Eligible capital and eligible reserves
Paid up capital is the share capital contributed by shareholders, including the share premium paid. Eligible reserves consist primarily of retained earnings, other reserves and income from current year. Retained earnings are earnings from previous years reported via the income statement. Positive income from current year is included as eligible capital after verification by the external auditors; however negative income must be deducted. Repurchased own shares or own shares temporary included in trading portfolios are deducted from eligible reserves.

Additional Tier 1 instruments
The inclusion of undated subordinated loans in additional Tier 1 capital is restricted and repurchase can normally not take place until five years after original issuance of the instrument. Undated subordinated loans may be repaid only upon decision by the Board of Directors in Nordea Eiendomskreditt and with the permission of the Norwegian FSA. Further, there are restrictions related to step-up conditions, order of priority, and interest payments under constraint conditions. Additional Tier 1 instruments issued that fulfil the regulatory requirements are fully included whereas remaining instruments are phased out according to transitional rules.

For the additional Tier 1 instruments, conditions specify appropriation in order to avoid being obliged to enter into liquidation. To the extent that may be required to avoid liquidation, the principal amounts of additional Tier 1 instruments (together with accrued interest) would be written down and converting such amount into a conditional capital contribution.

Tier 2 capital
Tier 2 capital must be subordinated to depositors and general creditors of the bank. It cannot be secured or covered by a guarantee of the issuer or related entity or include any other arrangement that legally or economically enhances the seniority of the claim vis-á-vis depositors and other bank creditors.

Tier 2 instruments
Tier 2 instruments consist mainly of subordinated debt. Tier 2 instruments include two different types of subordinated loan capital; undated loans and dated loans. Tier 2 instruments issued that fulfil the regulatory requirements are fully included whereas remaining instruments are phased out according to transitional rules.

The basic principle for subordinated debt in own funds is the order of priority in case of a default or bankruptcy situation. Under such conditions, the holder of the subordinated loan would be repaid after other creditors, but before shareholders. The share of outstanding loan amount possible to include in the Tier 2 capital related to dated loans is reduced if the remaining maturity is less than five years.

Note 16
Capital adequacy cont.

Minimum capital requirement and REA, Risk Exposure Amount

NOKm	31 Dec 2021 Minimum Capital requirement	31 Dec 2021 REA	31 Dec 2020 Minimum Capital requirement	31 Dec 2020 REA
Credit risk	**5 162**	**64 522**	**4 807**	**60 091**
- of which counterparty credit risk	24	302	27	341
IRB	5 131	64 143	4 773	59 658
- institutions	18	225	14	180
- retail	5 113	63 917	4 758	59 477
- secured by immovable property collateral	4 548	56 847	4 172	52 146
- other retail	566	7 070	586	7 330
- other	0	1	0	1
Standardised	30	379	35	434
- institutions	30	379	35	434
Operational risk	**228**	**2 845**	**195**	**2 434**
Standardised	228	2 845	195	2 434
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	**2**	**25**	**2**	**21**
Sub total	**5 391**	**67 392**	**5 004**	**62 546**

Capital ratios

Percentage	31 Dec[1] 2021	31 Dec 2020
Common Equity Tier 1 capital ratio, including profit	28,4	30,6
Tier 1 capital ratio, including profit	28,4	30,6
Total capital ratio, including profit	30,2	34,4
Common Equity Tier 1 capital ratio, excluding profit	28,4	29,7
Tier 1 capital ratio, excluding profit	28,4	29,7
Total capital ratio, excluding profit	30,2	33,5

[1] Assumed 100% of profit is distributed as dividend

Leverage ratio	31 Dec[1] 2021	31 Dec[1] 2020
Tier 1 capital, transitional definition, NOKm	19 135	19 128
Leverage ratio exposure, NOKm	306 947	285 725
Leverage ratio, percentage	6,2	6,7

[1] Including profit for the period

Note 17

Classification of assets and liabilities

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

31 December 2021		Fair value through profit or loss (FVPL)			
NOKt	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial assets	Total
Assets					
Loans to credit institutions	397 796				397 796
Loans to the public	286 016 966				286 016 966
Interest-bearing securities		5 205 173			5 205 173
Derivatives		-17 678	666 436		648 759
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-17 024				-17 024
Equipment owned and RoU				213	213
Retirement benefit assets				0	0
Other assets				-78	-78
Prepaid expenses and accrued income	1 021			1 635	2 656
Total Assets	**286 398 759**	**5 187 495**	**666 436**	**1 769**	**292 254 460**

		Fair value through profit or loss (FVPL)			
NOKt	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions	172 189 971				172 189 971
Debt securities in issue	98 133 486				98 133 486
Derivatives		43 135	16 477		59 611
Fair value changes of the hedged items in portfolio hedge of interest rate risk	161 100				161 100
Current tax liabilities				218 311	218 311
Other liabilities	2 784			6 447	9 231
Accrued expenses and prepaid income	414			239 057	239 471
Deferred tax liabilities				130 340	130 340
Provisions				2 731	2 731
Retirement benefit obligations				26 007	26 007
Subordinated loan capital	1 101 826				1 101 826
Total Liabilities	**271 589 581**	**43 135**	**16 477**	**622 892**	**272 272 085**

Note 17
Classification of assets and liabilities cont.

31 December 2020		Fair value through profit or			
NOKt	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial assets	Total
Assets					
Loans to credit institutions	471 612				471 612
Loans to the public	266 049 251				266 049 251
Interest-bearing securities		5 181 071			5 181 071
Derivatives		4 454	1 418 605		1 423 059
Fair value changes of the hedged items in portfolio hedge of interest rate risk	28 490				28 490
Equipment ow ned and RoU				191	191
Retirement benefit assets				0	0
Other assets				0	0
Prepaid expenses and accrued income	36 755			1 553	38 308
Total Assets	**266 586 109**	**5 185 524**	**1 418 605**	**1 744**	**273 191 982**

		Fair value through profit or loss (FVPL)			
NOKt	Amortised cost (AC)	Mandatorily	Derivatives used for hedging	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions	106 938 866				106 938 866
Debt securities in issue	142 743 573				142 743 573
Derivatives		46 751	-7 533		39 218
Fair value changes of the hedged items in portfolio hedge of interest rate risk	795 070				795 070
Current tax liabilities				383 359	383 359
Other liabilities	1 447			7 603	9 050
Accrued expenses and prepaid income	351			93 667	94 018
Deferred tax liabilities				96 236	96 236
Provisions				4 582	4 582
Retirement benefit obligations				27 703	27 703
Subordinated loan capital	2 301 732				2 301 732
Total Liabilities	**252 781 038**	**46 751**	**-7 533**	**613 151**	**253 433 406**

Note 18
Assets and liabilities at fair value

Fair value of financial assets and liabilities

Fair value of financial assets and liabilities

NOKt	31 Dec 2021 Carrying amount	Fair value	31 Dec 2020 Carrying amount	Fair value
Financial assets				
Loans	286 397 738	287 173 600	266 549 354	266 415 070
Interest-bearing securities	5 205 173	5 205 173	5 181 071	5 181 071
Derivatives	648 759	648 759	1 423 059	1 423 059
Prepaid expenses and accrued income	1 021	1 021	36 755	36 755
Total financial assets	**292 252 690**	**293 028 552**	**273 190 239**	**273 055 955**

	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Deposits and debt instruments	271 586 384	272 346 763	252 779 239	254 196 841
Derivatives	59 611	59 611	39 218	39 218
Other financial liabilities	2 784	2 784	1 447	1 447
Accrued expenses and prepaid income	414	414	351	351
Total financial liabilities	**271 649 192**	**272 409 571**	**252 820 255**	**254 237 857**

For information about valuation of items measured at fair value on the balance sheet, see Note 1 Accounting policies and the section "Determination of fair values for items measured at fair value on the balance sheet" below. For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet".

Assets and liabilities held at fair value on the balance sheet

Categorisation into fair value hierarchy

31 Dec 2021, 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		5 205 173		5 205 173
Derivatives		648 759	0	648 759
Total assets	**0**	**5 853 932**	**0**	**5 853 932**
Financial liabilities [1]				
Derivatives		59 611		59 611
Total liabilities	**0**	**59 611**	**0**	**59 611**

31 Dec 2020, 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		5 181 071		5 181 071
Derivatives		1 122 645	300 414	1 423 059
Total assets	**0**	**6 303 716**	**300 414**	**6 604 130**
Financial liabilities [1]				
Derivatives		39 218		39 218
Total liabilities	**0**	**39 218**	**0**	**39 218**

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

Note 18
Assets and liabilities at fair value cont.

Determination of fair values for items measured at fair value on the balance sheet
Fair value measurements of assets and liabilities carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. Nordea Eiendomskreditt AS has no financial assets or financial liabilities measured according to level 1.

Level 2 in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. The fair values are based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Alternatively, the fair values are estimated using valuation techniques or valuation models based on market prices or rates prevailing at the balance sheet date, and where any unobservable inputs have had an insignificant impact on the fair values. This is the case for interest-bearing securities and derivatives in Nordea Eiendomskreditt AS.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. Nordea Eiendomskreditt AS has no financial assets or financial liabilities measured according to level 3 at the end of 2021.

All valuation models, both complex and simple models, make use of market parameters. These parameters comprise interest rates, volatilities, correlations etc. Some of these parameters are observable while others are not. For most non-exotic currencies the interest rates are all observable, and the volatilities and the correlations of the interest rates and FX rates are observable up to a certain maturity. For each instrument the sensitivity towards unobservable parameters is measured. If the impact from unobservable parameters on the valuation is significant the instrument is categorised as Level 3 in the fair value hierarchy.

For interest-bearing securities the categorisation into the three levels are based on the internal pricing methodology. These instruments can either be directly quoted in active markets (Level 1) or measured using a methodology giving a quote based on observable inputs (Level 2). If the impact from unobservable parameters on the valuation of the bond is significant the bond is categorised as Level 3 in the fair value hierarchy.

For OTC derivatives valuation models are used for establishing fair value. The models are usually in-house developed, and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. Most OTC derivatives are categorised as Level 2 in the fair value hierarchy implying that all significant model parameters are observable in active markets.

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments. This calculation is supplemented by a portfolio adjustment.

Nordea Eiendomskreditt incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA) into derivative valuations. CVA and DVA reflect the impact on fair value of the counterparty´s credit risk and Nordea Eiendomskreditt's own credit quality, respectively. Calculations are based on estimates of exposure at default, probability of default and recovery rates, on a counterparty basis. Generally, exposure at default for CVA and DVA is based on expected exposure and estimated through the simulation of underlying risk factors. Where possible, Nordea obtains credit spreads from the credit default swap (CDS) market, and probabilities of defaults (PDs) are inferred from this data. For counterparties that do not have a liquid CDS, PDs are estimated using a cross sectional regression model, which calculates an appropriate proxy CDS spread given each counterparty's rating region and industry.

Nordea Eiendomskreditt's pricing models are calibrated to the market and if climate risk has any impact on a particular market, it will already be taken into consideration by other market participants. Hence, Nordea Eiendomskreditt have not implemented any changes to pricing models to accommodate for climate risk and no critical valuation adjustments are taken. Going forward, Nordea Eiendomskreditt will follow areas in the valuation space where climate risk could have an impact on the models (e.g. in relation to Credit Valuation Adjustment).

Transfers between Level 1 and Level 2
There has not been any transfers between Level 1 and Level 2 in 2021. When transfers between levels occur, these are considered to have occurred at the end of the reporting period.

Note 18
Assets and liabilities at fair value cont.

Movements in Level 3

31 Dec 2021, NOKt	1 Jan 2021	Unrealised fair value gains/losses recorded in the income statement	Transfers out of Level 3	31 Dec 2021
Derivatives (net)	300 414	-154 624	-145 789	0

Unrealised gains and losses relates to those assets and liabilities held at the end of the reporting period. During the period Nordea Eiendomskreditt AS had transfers out of level 3 of the fair value hierarchy. The reason for the transfer out of level 3, was that observable market data became available also for longer maturities. Fair value gains and losses in the income statement during the year are included in Net result from items at fair value, see Note 4 "Net result from items at fair value".

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

31 Dec 2021, NOKt	Fair value	Valuation techniques	Unobservable input
Derivatives			
Interest rate derivatives	0	Option model	Correlation, volatilities
Foreign exchange derivatives	0	Option model	Correlation, volatilities
Total	**0**		

The tables above shows, for each class of assets and liabilities categorised in level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and for financial assets and liabilities the fair value sensitivity to changes in key assumptions.

Fair value of assets and liabilities in level 3 are estimated using valuation techniques based on assumptions that are not supported by market observable prices or rates. There may be uncertainty about a valuation, resulting from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a result of other elements affecting the valuation technique. For financial instruments portfolio adjustments are applied to reflect such uncertainties and are deducted from the fair values produced by the models or other valuation techniques (for further information see the Annual report 2021, Note 1 section 10 "Determination of fair value of financial instruments").

Financial assets and liabilities not held at fair value on the balance sheet

	31 Dec 2021		**31 Dec 2020**		
NOKt	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Level in fair value hierarchy**
Assets not held at fair value on the balance sheet					
Loans	286 397 738	287 173 600	266 549 354	266 415 070	3
Other financial assets	0	0	0	0	3
Prepaid expenses and accrued income	1 021	1 021	36 755	36 755	3
Total assets	**286 398 759**	**287 174 621**	**266 586 109**	**266 451 825**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	271 586 384	272 346 763	252 779 239	254 196 841	3
Other financial liabilities	2 784	2 784	1 447	1 447	3
Accrued expenses and prepaid income	414	414	351	351	3
Total liabilities	**271 589 581**	**272 349 960**	**252 781 037**	**254 198 639**	

Note 18
Assets and liabilities at fair value cont.

Loans

The fair value of "Loans to credit institutions" and "Loans to the public" have been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Personal Banking. The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Other assets and prepaid expenses and accrued income

The balance sheet items "Other assets" and "Prepaid expenses and accrued income" consist of short receivables, mainly accrued interest receivables. The fair value is therefore considered to equal the carrying amount and is categorised into Level 3 in the fair value hierarchy.

Deposits and debt instruments

The fair value of "Deposits by credit institutions", "Debt securities in issue" and "Subordinated liabilities" has been calculated as the carrying amount adjusted for fair value changes in interest rate risk and in own credit risk. The fair value is categorised into Level 3 in the fair value hierarchy. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rate in the portfolios. The fair value changes in the credit risk is calculated as the difference between the credit spread in the nominal interest rate compared with the current spread that is observed in the market. This calculation is performed on an aggregated level for all long term issuance recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities". As the contractual maturity is short for "Deposits by credit institutions" the changes in own credit risk related to these items is assumed not to be significant. This is also the case for short term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities".

Other liabilities and accrued expenses and prepaid income

The balance sheet items "Other liabilities" and "Accrued expenses and prepaid income" consist of short-term liabilities, mainly liabilities on securities settlement. The fair value is therefore considered to be equal to the carrying amount and is categorised into Level 3 in the fair value hierarchy.

Note 19
Financial instruments set off on balance or subject to netting agreements

31 Dec 2021, NOKt	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	648 759	0	648 759	-59 611	0	0	589 148
Reverse repurchase agreements	0	0	0	0	0	0	0
Securities borrow ing agreements	0	0	0	0	0	0	0
Loans	0	0	0	0	0	0	0
Variation margin	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Total	**648 759**	**0**	**648 759**	**-59 611**	**0**	**0**	**589 148**

31 Dec 2021, NOKt	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	59 611	0	59 611	-59 611	0	0	0
Repurchase agreements	0	0	0	0	0	0	0
Securities lending agreements	0	0	0	0	0	0	0
Deposits	0	0	0	0	0	0	0
Variation margin	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Total	**59 611**	**0**	**59 611**	**-59 611**	**0**	**0**	**0**

[1] All amounts are measured at fair value.
[2] Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institution or as Deposits and borrowings from the public.

31 Dec 2020, NOKt	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	1 423 059	0	1 423 059	-39 218	0	0	1 383 841
Total	**1 423 059**	**0**	**1 423 059**	**-39 218**	**0**	**0**	**1 383 841**

31 Dec 2020, NOKt	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	39 218	0	39 218	-39 218	0	0	0
Total	**39 218**	**0**	**39 218**	**-39 218**	**0**	**0**	**0**

[1] All amounts are measured at fair value.

Enforceable master netting arrangements and similar agreements

The fact that financial instruments are being accounted for on a gross basis on the balance sheet, would not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally financial instruments (derivatives, repos and securities lending transactions), would be subject to master netting agreements, and as a consequence Nordea Eiendomskreditt would be allowed to benefit from netting in the case of default by its counter parties, in any calculations involving counterparty credit risk.

For a description of counterparty risk see section Counterparty credit risk in Note 2 “Risk and liquidity management”.

Note 20
Maturity analysis for assets and liabilities

Contractual undiscounted cash flows

31 Dec 2021, NOKt	< 1 month	1-3 month	3-12 month	1-2 years	2-5 years	5-10 years	>10 years	Total
Loans to the public	1 455 083	2 991 258	13 433 630	16 635 154	56 762 163	119 506 997	170 645 290	381 429 574
Loans to credit institutions	397 796	0	0	0	0	0	0	397 796
Interest-bearing securities	13 568	7 100	3 008 057	600 765	1 813 334	0	0	5 442 824
Other non-derivative financial assets	0	0	-14 236	0	0	0	0	-14 236
Total non-derivative financial assets	**1 866 446**	**2 998 358**	**16 427 451**	**17 235 919**	**58 575 497**	**119 506 997**	**170 645 290**	**387 255 958**
Deposits by credit institutions	62 305	397 562	78 633 607	34 302 596	63 934 760	0	0	177 330 830
Debt securities in issue	0	291 695	17 110 743	24 110 519	60 380 424	1 683 959	819 181	104 396 521
- of which covered bonds	0	291 695	17 110 743	24 110 519	60 380 424	1 683 959	819 181	104 396 521
Subordinated liabilities	0	7 944	23 951	38 052	1 111 718	0	0	1 181 665
Other non-derivative financial liabilities and equity	0	0	0	0	0	0	20 769 634	20 769 634
Total non-derivative financial liabilities	**62 305**	**697 201**	**95 768 301**	**58 451 167**	**125 426 902**	**1 683 959**	**21 588 815**	**303 678 651**
Derivatives, cash inflows	766	9 213	631 179	4 209 597	784 253	1 180 091	211 801	7 026 899
Derivatives, cash outflows	46 521	76 932	494 560	3 912 413	802 898	1 178 539	147 107	6 658 970
Derivatives, net cash flows	**-45 755**	**-67 718**	**136 618**	**297 183**	**-18 644**	**1 552**	**64 694**	**367 930**
Credit commitments								27 874 717

31 Dec 2020, NOKt	< 1 month	1-3 month	3-12 month	1-2 years	2-5 years	5-10 years	>10 years	Total
Loans to the public	1 324 160	2 704 329	11 884 131	14 353 008	47 996 436	107 188 895	162 457 878	347 908 837
Loans to credit institutions	471 611	0	0	0	0	0	0	471 611
Interest-bearing securities	10 006	714	2 496 037	2 351 467	407 015	0	0	5 265 238
Other non-derivative financial assets	0	0	66 790	0	0	0	0	66 790
Total non-derivative financial assets	**1 805 778**	**2 705 043**	**14 446 957**	**16 704 475**	**48 403 451**	**107 188 895**	**162 457 878**	**353 712 476**
Deposits by credit institutions	34 877	2 201 837	634 595	45 225 122	61 866 448	0	0	109 962 879
Debt securities in issue	0	229 092	53 219 879	24 792 099	61 629 780	5 359 124	2 406 498	147 636 472
- of which covered bonds	0	229 092	53 219 879	24 792 099	61 629 780	5 359 124	2 406 498	147 636 472
Subordinated liabilities	0	16 834	1 231 322	24 331	1 136 156	0	0	2 408 643
Other non-derivative financial liabilities and equity	0	0	0	0	0	0	20 373 327	20 373 327
Total non-derivative financial liabilities	**34 877**	**2 447 763**	**55 085 796**	**70 041 552**	**124 632 384**	**5 359 124**	**22 779 825**	**280 381 322**
Derivatives, cash inflows	631	43 233	912 995	429 622	4 179 769	290 820	1 291 952	7 149 022
Derivatives, cash outflows	23 532	72 128	393 148	307 349	3 822 499	273 107	1 120 925	6 012 689
Derivatives, net cash flows	**-22 901**	**-28 895**	**519 847**	**122 273**	**357 270**	**17 713**	**171 027**	**1 136 333**
Credit commitments								24 650 647

Note 21
Related-party transactions

NOKt	2021				2020			
	Nordea Bank Abp, filial i Norge	Nordea Bank Abp, filial i Sverige	Nordea Bank Abp	Other group companies	Nordea Bank Abp, filial i Norge	Nordea Bank Abp, filial i Sverige	Nordea Bank Abp	Other group companies
Profit and loss account								
Interest income on loans w ith financial institutions	1 534				2 186			
Other interest income	12 509				35 771			
Net gains/losses on items at fair value	2 794	2 904			400 198	75 284		
Commission income	1 282							
Other operating income	388			1 082				555
Total income	**18 507**	**2 904**	**0**	**1 082**	**438 156**	**75 284**	**0**	**555**
Interest expenses on liabilities to financial institutions	1 127 364				1 498 762			
Interest and related expense on securities issued incl. hedging	-165 414	10 982	23 900		-156 221	21 700	22 696	
Other interest expenses			130 442				89 725	
Net gains/(losses) on items at fair value	594 881	65 464						
Interest and related expense on subordinated loan capital			42 694				61 820	
Commission and fee expense for banking services	18 825				13 299			
Other operating expenses	1 649 366			418	860 531	1 105	1 589	546
Total expenses	**3 225 022**	**76 446**	**197 036**	**418**	**2 216 372**	**22 805**	**175 829**	**546**
Balance sheet								
Loans and receivables to credit institutions	397 797				471 612			
Derivatives	256 587	392 171			995 633	427 426		
Accrued income and prepaid expenses					35 771			
Total assets	**654 384**	**392 171**	**0**	**0**	**1 503 016**	**427 426**	**0**	**0**
Deposits by credit institutions	172 182 697				106 935 366			
Issued bonds			280 759		36 009 350		877 006	
Derivatives	59 612				34 984	4 234		
Accrued expenses and prepaid income	103 725	2 622	130 442	1 046	2 003	3 512	85 793	1 046
Subordinated loan capital			1 101 826				2 301 732	
Share capital and share premium			10 533 627				10 533 627	
Total libilities and equity	**172 346 034**	**2 622**	**12 046 654**	**1 046**	**142 981 703**	**7 746**	**13 798 157**	**1 046**
Off balance sheet items								
Interest rate sw aps (nominal value)	57 794 000	4 208 000			66 714 000	4 340 730		

From May 2019 mortgage loans are originated directly from the company's own balance sheet, and only a small loan portfolio of NOK 2.7bn has been transferred from the parent bank Nordea Bank Abp, filial i Norge in 2021. In 2020 there were no transfers of loans from the parent bank.

Nordea Eiendomskreditt AS has from 1 October 2018 been a wholly owned subsidiary of Nordea Bank Abp. Transactions between Nordea Eiendomskreditt AS and other legal entities or branches in the Nordea group are performed according to market based principles in conformity with OECD requirements on transfer pricing.

Note 22
Interest-bearing securities

	31 Dec 2021		31 Dec 2020	
NOKt	Aquired amount	Carrying amount	Aquired amount	Carrying amount
Financial assets				
States, municipalities and other public bodies	2 130 434	2 093 276	2 008 294	1 952 579
Mortgage institutions	3 111 283	3 111 896	3 226 028	3 228 492
Total	**5 241 718**	**5 205 173**	**5 234 322**	**5 181 071**

Provisions for credit risks amount to NOKt 0 (NOKt 0).

Note 23
Credit risk disclosures

Credit risk management and credit risk analysis is described in the Credit risk management section in Note 2 “Risk and liquidity management”. Additional information on credit risk is also disclosed in the Capital and Risk Management Report (Pillar 3) 2020, which is available on www.nordea.com. Much of the information in this note is collected from the Pillar 3 report in order to fulfil the disclosure requirement regarding credit risk in the Annual Report.

The Pillar 3 report contains the disclosures required by the Capital Requirements Regulation (CRR). The Pillar 3 disclosure is aligned to how Nordea manages credit risk and is believed to be the best way to explain the credit risk exposures in Nordea Eiendomskreditt. Credit risk exposures occur in different forms and are divided into the following types: On-balance sheet items, Off-balance sheet items and derivatives.

Credit risk is defined as the risk of loss if counterparts fail to fulfil their agreed obligations and that the pledged collateral does not cover the claims. Credit risk stems mainly from various forms of lending, but also from counterparty credit risk in derivatives contracts.

Allowances for credit risk

NOKm	Note	**31 Dec 2021**	**31 Dec 2020**
Loans to the public	9	217	190
Total		**217**	**190**

The figures in the table represents maximum exposure for credit risk in the company, presented as Exposure At Default (EAD). EAD is the exposure after applying credit conversion factors (CCF).

Note 23
Credit risk disclosures cont.

Maximum exposure to credit risk

		31 Dec 2021		31 Dec 2020	
NOKm	Note	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss
Loans to credit institutions		398		472	
Interest-bearing securities	22		5 205		5 181
Loans to the public incl accrued interest	9	286 017		266 088	
Derivatives			589		1 384
Total loans and receivables (on-balance exposure)		**286 415**	**5 794**	**266 559**	**6 565**
Off balance credit exposure:					
- of which lending to the public	15	27 875		24 651	
- of which derivatives	9				
Off balance credit exposure		**27 875**	**0**	**24 651**	**0**
Exposure At Default (EAD)		**314 289**	**5 794**	**291 210**	**6 565**

Loans-to-value distribution and loans to the public[1]

	31 Dec 2021		31 Dec 2020	
	NOKm	in %	NOKm	in %
<50%	236 527	82,7 %	188 846	71,0 %
50-70%	36 529	12,8 %	30 950	11,6 %
70-80%	7 741	2,7 %	7 099	2,7 %
80-90%	2 823	1,0 %	3 417	1,3 %
>90%	2 397	0,8 %	35 731	13,4 %
Total	**286 017**	**100 %**	**266 041**	**100 %**

[1] The LTV distribution is based on the Basel rules, where each portion of a loan is allocated to the appropriate bucket.

Past due loans excluding impaired loans

The table below shows loans past due 6 days or more that are not considered impaired.

The table below shows loans past due 6 days or more that are not considered impaired.

NOKm	31 Dec 2021	31 Dec 2020
6-30 days	1 137	980
31-60 days	202	135
61-90 days	59	59
>90 days	61	64
Total	**1 458**	**1 238**
Past due not impaired loans divided by loans to the public after allowances	0,5 %	0,5 %

Interest-bearing securities

For more information about credit risk related to interest-bearing securities, see Note 22 where the carrying amount of interest-bearing securities is split on different types of counterparties.

To the General Meeting of Nordea Eiendomskreditt AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Nordea Eiendomskreditt AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 7 years from the election by the general meeting of the shareholders on 6 June 2015 for the accounting year 2015.

pwc

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The company's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or events that qualified as new Key Audit Matters. Our areas of focus are therefore unchanged from 2020.

Key Audit Matter	How our audit addressed the Key Audit Matter
Compliance with requirements related to loans to the public The mortgage company has loans to the public amounting to NOK 286 017 million secured by real estate and has issued covered bonds. Processes and controls have been established to ensure that the company complies with the various requirements the mortgage company is subject to, including that the value of the collateral consistently backs the covered bonds. The value of the collateral at any time shall be above 75% of the loan value and for vacation property, above 60% of the loan value. As the requirements and the processes and controls are of fundamental importance for the mortgage company's operations and compliance with the regulations, we have focused our attention on the subject. We refer to Note 7 – Net loan losses, Note 9 – Loans and impairment, Note 11 – Cover Pool and Note 14 – Assets pledged as security for own liabilities to the financial statements.	In order to comply with the requirements in the regulations applicable to covered bonds, the mortgage company has established controls in the process of granting loans. These controls ensure the mortgage company has reviewed the applications for loans and associated documentation. The process includes formal controls and division of responsibilities, which are directed at ensuring that the process has been carried out prior to granting of loans. Further, in accordance with applicable regulations the company has engaged an independent inspector. The inspector controls, on a quarterly basis, that the mortgage company complies with the various requirements, including the required coverage over the loan portfolio of the value of the collateral. Our audit includes review and verification of the investigator's work and that we examine and assess the mortgage company's documentation and whether the process has been conducted appropriately and timely. Further, we assess if the underlying documentation that the mortgage company has collected, supports the conclusions drawn by the company that the requirements in legislation and regulations have been met. Furthermore, we place reliance on IT general controls for the applications, systems and related platforms that support the mortgage company's accounting and financial reporting. For relevant IT systems and controls relating to financial reporting we assessed and tested the design and operating effectiveness. We examined the framework of governance over the bank's

IT organization and the controls over program development and changes, access to programs and data and IT operations. Our testing gave us sufficient evidence to enable us to rely on the operation of the bank's IT systems that the regulations in this area are complied with.

We evaluated the appropriateness of the related disclosures in the notes and found that they satisfied the requirements in IFRS.

Impairment of loans to the public

Loans to the public represent NOK 286 017 million (98% of total assets) for Nordea Eiendomskreditt as at 31 December 2021. Total expected credit losses on loans to customers amounts to NOK 217 million. As of this year this total amount is related to the model based loan provision only, while individual assessment of loan provision has been reduced to NOK 0.

A high level of judgement is involved in determining the appropriate impairment loss to be recognized as expected credit losses (ECL) are calculated as a function of the probability of default, the exposure at default and the loss given default, as well as the timing of loss. Due to the use of judgement in applying the ECL measurement criteria of IFRS 9, the complexity of calculation and the effect on estimates, we consider provisioning for ECL a key audit matter.

We refer to Note 1 - Accounting policies (Critical judgements and estimation uncertainty), Note 7 – Net loan losses and Note 9 – Loans and impairment to the financial statements, where management explain their use of judgement.

Our audit included a combination of testing of internal controls over financial reporting and substantive testing. We obtained an understanding of the loan origination process, credit risk management and the impairment allowances for loans and advances to customers.

For ECL models, where we also involved our modelling specialists, we obtained a detailed understanding of the process and relevant controls associated with:

- the calculation and methodologies used by management,
- whether the management-approved model was in compliance with the framework and the model worked as intended,
- the reliability of the sources of the data used in the model,
- post-model-adjustments.

Our review of the process and controls did not indicate material errors in the model or deviation from IFRS 9.

We assessed the disclosures related to impairment of loans and found that they satisfied accounting requirements.

(3)

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information presented with the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report and the other information presented with the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information presented with the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information presented with the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information presented with the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report and the other information presented with the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly for the statements on Corporate Governance and Corporate Social Responsibility, and for the report on payments to governments.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name NEK Annual Report 2021_signed.xhtml have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities

Management is responsible for preparing and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation and publication of the financial statements.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

Bergen, 21 February 2022

PricewaterhouseCoopers AS

Marius Kaland Olsen
State Authorised Public Accountant

(6)

Statement by the Chief Executive Officer and the Board of Directors

Pursuant to Section 5-5 of the Securities Trading Act

The Chief Executive Officer and the Board of Directors have today considered and approved the Board of Director's Report and the annual accounts of Nordea Eiendomskreditt AS for 2021, including comparative figures for 2020 (the "2021 Annual Report").

The Annual Report has been prepared in accordance with IFRS as adopted by the EU, and additional Norwegian disclosure requirements pursuant to the Accounting Act, the Regulations for Annual Accounts and the Securities Trading Act. According to our best knowledge, the 2021 Annual Report has been prepared in accordance with the applicable accounting standards and gives a true and fair view of the company's assets, liabilities and net profit as of 31 December 2021 and as of 31 December 2020.

According to our best knowledge, the Board of Directors' report gives a true and fair view of the company's activities, results and financial position including disclosure of related party transactions and the description of the most relevant risk factors the company faces the coming year.

Nordea Eiendomskreditt AS

Oslo, 11 February 2022

Marte Kopperstad
Chair

Gro Elisabeth Lundevik
Vice Chair

Ola Littorin
Board member

Alex Madsen
Board member

Pål Ekberg
Board member

Anne Sofie Knoph
Employee representative

Børre S. Gundersen
Chief Executive Officer

Board of Directors and Auditor

Board of Directors

Chair

Marte Kopperstad
Nordea Bank Abp, filial i Norge
Head of Product and Business Development, Nordea
Board member since 2016

Members

Gro Elisabeth Lundevik
School of Business and Law at University of Agder
Head of Faculty
Board member since 2019

Ola Littorin
Nordea Bank Abp, filial i Sverige
Head of Long Term Funding, Group Treasury, Nordea
Board member since 2013

Alex Madsen
Sjølyst Regnskap AS
Partner
Board member since 2014

Pål Ekberg
Nordea Bank Abp, filial i Norge
Head of Advisory and Sales, Personal Banking Nordea Norway
Board member since 2021

Anne Sofie Knoph (Employee representative)
Nordea Eiendomskreditt AS
Master expert in Nordea
Board member since 2017

Auditor

PricewaterhouseCoopers AB

Marius Kaland Olsen
Authorised Public Accountant

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