Nordea

Annual report 2023
Nordea Eiendomskreditt AS

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

Summary of the income statement (NOKm)

	2023	2022	2021	2020	2019
Net interest income	1,937	2,319	3,018	2,399	1,879
Net fee and commission income	85	77	77	0	0
Net result from items at fair value	-77	-11	-179	-34	-31
Other operating income	1	3	2	74	66
Total operating income	**1,945**	**2,388**	**2,918**	**2,439**	**1,914**
Staff costs	38	31	27	23	19
Other expenses	1,192	1,387	1,713	894	604
Total operating expenses	**1,230**	**1,419**	**1,740**	**917**	**623**
Loan losses (negative figures are reversals)	47	106	53	98	-2
Operating profit	**668**	**863**	**1,125**	**1,424**	**1,293**
Income tax expense	168	215	281	356	323
Net profit for the period	**500**	**648**	**844**	**1,068**	**970**

Summary of the balance sheet (NOKm)

	2023	2022	2021	2020	2019
Loans to the public, gross	334,668	323,563	305,898	266,240	245,978
Allowance for loan losses	-361	-311	-218	-190	-103
Other assets	13,239	6,555	6,813	7,143	6,689
Debt securities in issue	197,449	149,352	107,152	142,744	98,124
Other liabilities	128,192	158,401	183,216	110,690	135,276
Equity	21,905	22,054	22,125	19,759	19,164
Total assets	**347,547**	**329,807**	**312,493**	**273,192**	**252,564**

Ratios and key figures

	2023	2022	2021	2020	2019
Basic/diluted Earnings per share (EPS), annualised basis, NOK	29.8	38.6	50.3	69.6	63.2
Equity per share[1], NOK	1305.3	1314.1	1318.4	1288.4	1249.6
Shares outstanding[1], million	16.8	16.8	16.8	15.3	15.3
Return on average equity	2.3%	2.9%	3.9%	5.5%	5.5%
Cost/income ratio	63.2%	59.4%	59.6%	37.6%	32.6%
Loan loss ratio, annualised, basis points	1.4	3.4	1.8	3.8	-0.1
Risk Exposure Amount1, NOKm	81,987	80,161	74,676	62,546	58,023
Own funds, NOKm[1]	22,548	22,530	22,471	21,489	20,789
Common Equity Tier 1 capital ratio	26.0%	26.6%	28.5%	30.6%	31.8%
Tier 1 capital ratio[1]	26.0%	26.6%	28.5%	30.6%	31.8%
Total capital ratio[1]	27.5%	28.1%	30.1%	34.4%	35.8%
Number of employees (Full-time equivalents)[1]	24.0	21.5	20.5	17.5	16.5

[1] At the end of the period.

Figures for the years 2019-2020 include only Nordea Eiendomskreditt (NE), while figures for 2021 have been updated to include Nordea Direct Boligkreditt (NDBK). Risk Exposure Amount has been calculated according to different methods in NE and NDBK. Figures for NDBK have not been recalculated according to NE's methodology.

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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 in Norway, including secured construction loans, and to finance its lending activities mainly by issuing covered bonds. The mortgage loan portfolio of NOK 334bn at the end of 2023 consists of loans originated directly from own balance sheet, bought from the parent bank, or added as a result of the merger with Nordea Direct Boligkreditt AS in 2022. Nordea 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 1,880m, made up of 16,781,828 ordinary shares, each with a nominal value of NOK 112. The entire issued share capital is owned by Nordea Bank Abp.

Comments on the Income Statement

Income

Total operating income in 2023 was NOK 1 945m (NOK 2 388m), a decrease of 19% from 2022. The reduction compared to last year is mainly driven by significant reduction in the lending margin as a result of the steep increase in interest rates, following 6 rate hikes by Norwegian Central Bank, and the effect of 2 months' notice period for changes in customer mortgage rates. Net loss from items at fair value was also higher in 2023 than the year before.
Net interest income decreased 16% and ended at NOK 1 937m in 2023 (NOK 2 319m). The decrease is explained by lower lending margin, partly offset by higher lending volume and higher income from the liquidity portfolio.
Net fee and commission income was NOK 85m in 2023 (NOK 77m). 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 77m in 2023 (cost of NOK 11m). In accordance with IFRS, net result from items at fair value includes both realized gain/loss from buybacks 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.

Expenses

Total operating expenses were NOK 1 230m in 2023 (NOK 1 419m) whereof NOK 38m (NOK 31m) is staff related. The number of employees at the end of 2023 was 24 (23). Other operating expenses are mainly related to services bought from the parent bank, such as sales and distribution of mortgage loans, management of the loan portfolio and customer contact, as well as funding, risk control, accounting, reporting and IT related services. The main part is related to sales, distribution and management of the mortgage loans, where the fee is calculated based on net interest income, and will therefore fluctuate between periods. Nordea Eiendomskreditt AS does not incur any costs for research and development (R&D) activities.

Transactions between Nordea Eiendomskreditt AS and other legal entities or branches in the Nordea Group are settled in conformity with OECD guidelines on transfer pricing. The cost/income ratio for 2023 was 63.2% compared to 59.4% last year.

Loan losses

Net loan losses and provisions recognised in the accounts for 2023 were NOK 47m (NOK 106m), covering both realised loan losses and changes in loan loss allowances. This corresponds to a loan loss ratio of 1.4 basis points (3.4 bps). Realised loan losses were NOK 1m (NOK 9m). Loan loss allowances have increased from NOK 311m at the beginning of the year to NOK 361m at the end of the year, mainly due to migration of loans into Stage 3 where loan loss provisions are calculated and booked for the full remaining lifetime of the loans. The management judgements included in the loan loss allowances were NOK 92m at the end of 2023 (NOK 102m). See Note 2.5 and Note 3.5 for further information about loan losses and impairment.

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

Taxes

Taxes for the year amounted to NOK 168m, of which NOK 54m relates to tax payable and NOK 114m due to changes in deferred tax.

Net profit

Net profit for the year amounted to NOK 500m (NOK 648m). This gives a return on average equity of 2.3% (2.9%). The return on equity is on a historically low level. This is to a large extent explained by the lower lending margins, but also as a result of the agreed pricing model for sales- and distribution fees that are paid to the parent bank.

Comments on the Balance sheet

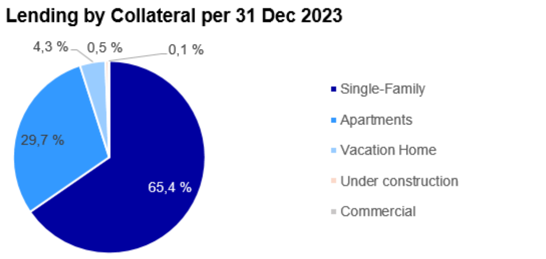
Assets and lending activities

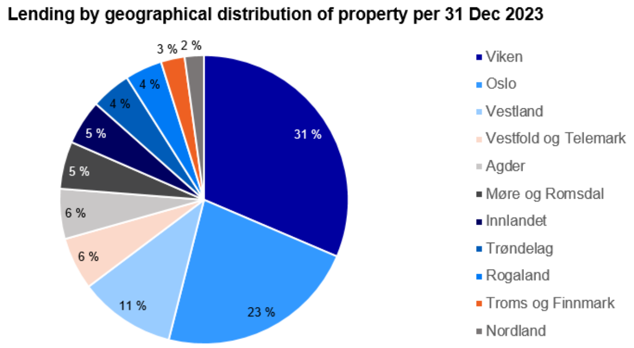
Gross lending to customers at 31 December 2023 amounted to NOK 334bn (NOK 323bn) and consists only of residential mortgage loans and loans to holiday homes in Norway including constructions loans, used as collateral in securing the covered bonds issued by the company. NOK 313bn of the loan portfolio is included in the collateral pool for the purposes of the calculation of the asset coverage requirement under the covered bond legislation. This represents surplus collateral of 60.0% in relation to the covered bonds issued. See Note 3.8 "Cover pool" for further information.

The cover pool has a weighted average indexed loan-to-value (LTV) ratio of 55.9% at the end of 2023 (48.6%). The increase since last year is mainly due to changed cover pool allocation logic where a portion up to the regulatory LTV limit, of loans with LTV above the cover pool regulatory limit, is now included in the cover pool. The average loan size was NOK 2,315m (NOK 2,060m). The cover pool is split between 66% amortizing loans and 34% flex loans (including amortising loans in amortising free period), compared to 64% and 36% 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 2023 Nordea Eiendomskreditt has issued covered bonds amounting to NOK 74.5bn in the Norwegian domestic market under its NOK 250bn domestic covered bond program. Issuance is done via taps of outstanding bonds and new bonds via designated dealers. During 2023 bonds amounting to NOK 23.4bn have matured or been bought back. As of 31 December 2023, Nordea Eiendomskreditt had outstanding covered bonds totalling NOK 194.8bn in the Norwegian 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 2023 such borrowings amounted to NOK 125bn.

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

NOKm	31 Dec 2023	31 Dec 2022
Covered bonds in NOK	194 827	143 715
Covered bonds in GBP	-	3 565
Covered bonds in EUR	1 121	1 052
Unsecured funding from Nordea	124 930	155 312
Subordinated debt	1 100	1 100
Total	**321 978**	**304 744**

Equity

Shareholder's equity was NOK 21.9bn at 31 December 2023 (NOK 22.1bn). This includes net profit for the year of NOK 500m (NOK 648m).

Allocation of net profit for the year

Nordea Eiendomskreditt AS reported an operating profit for the year of NOK 668m, and a net profit after tax for the year of NOK 500m. The Board of Directors will propose to the Annual General Meeting on 7 March 2024 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 2023 is therefore distributed to retained earnings in the balance sheet as of 31 December 2023. 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 2023, the company was party to interest rate swaps with a nominal value of NOK 45.3bn.
Nordea Eiendomskreditt has covered bonds of EUR 0.1bn issued in the European market. In order to eliminate the foreign exchange risk, the company has entered into a currency swap of the same amount. All derivative contracts are with counterparties within the Nordea Group.
Around 25% of the loan portfolio is home flex loans where the customer has been granted a credit line. The portion of the credit line that has been drawn, is reported as Loans to the public in the balance sheet while the unutilised portion is reported as an off-balance sheet commitment.
For total exposure regarding off-balance sheet commitments, see Note 3.7 "Derivatives and hedge accounting", Note 4 "Provisions" and Note 5.2 "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.

Acquisition of Danske Bank's Norwegian mortgage loan portfolio

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

Impacts from Russia's invasion of Ukraine

The impact of uncertainty after the onset of the war – reflected in higher inflation and higher interest rates etc – on the global and Nordic economies was further assessed during 2023. These assessments have been reflected in the regular update of Nordea's macroeconomic scenarios, which are used to update the financial forecasts and IFRS 9 expected credit losses. Nordea Eiendomskreditt has also reviewed its management judgements to ensure that the overall provisioning levels are appropriate. Nordea will continue to follow developments closely.
Information on the financial and operational impacts of the war in Ukraine 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 9 section "Credit risk management" and Note 3.5 "Loans and impairment".

Rating

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

Risks and risk management

Risk management

Maintaining risk awareness in the organization is an integral part of 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 9 "Risk and liquidity management".

Risks and uncertainties

Within the framework of its normal business operations Nordea Eiendomskreditt (NE) 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 and cyber security 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, tax 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, covering transitional and physical risks related to climate, nature and social factors.

Including on- and off -balance sheet exposures and exposures related to securities, the total credit risk exposure at year end was NOK 382.5bn (NOK 361.2bn last year). Credit risk exposure includes the risk related to derivative contracts, which was NOK 0.0bn at year end of 2023 (NOK 0.2bn). Counterparty credit risk exposure at the end of 2023 was NOK 111m (NOK 124m).

Market risk is measured through NII - Net Interest Income and EV - Economic Value. At the end of the year, the loss for NII was NOK 581.5m for the 200 bps down scenario (NOK 590.4m). The most severe impact from the Basel scenarios on EV was NOK 87.5m loss at end of year 2023 (NOK 168.4m).

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 2023 the liquidity metrics were);

LCR: 1780% (1274%)
LSC: 210% (152%)
LSH: 172 days (172 days)
NSFR: 115.1% (113.1%)

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 2023 the over-collateralization (OC) was 60.0%, meaning that the company can withstand a significant price drop without breaching the regulatory OC requirement of 5%.

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.

Economic uncertainty
The uncertain and rapidly changing geopolitical situation related to multiple ongoing conflicts and wars and technological and environmental changes, combined with a volatile interest rate environment driven by monetary policy targeting normalised inflation levels, represents risks to the macroeconomic outlook. The impact of higher commodity prices and broader inflationary pressure could dampen consumer spending and lead to cost increases, reinforcing recessionary trends. This potential shift in business and consumer expectations could cause a deeper recession, prompting a rise in unemployment with additional price pressure in the Norwegian housing market. Such macroeconomic trends could feed through to Nordea Eiendomskreditt's credit portfolio resulting in losses. Potential future credit risk losses are addressed in Note 3.5 "Loans and impairment" and in the section "Credit risk" in Note 9.

Macroeconomy
Activity in the Norwegian economy flattened out at a high level in 2023. Real mainland GDP increased by 0.1% quarter on quarter during the third quarter of 2023. Registered unemployment was at a low level of 1.9% in December. Consumer price inflation decreased while core inflation remained high. In 2023 headline CPI inflation came in at 5.5% year on year, and excluding energy and taxes, underlying inflation stood at 6.2% year on year. Norges Bank has increased its key policy rate 14 times since 2021, bringing it to 4.5% as of December 2023. Housing prices moved broadly sideways during 2023. The Norwegian krone weakened broadly against most currencies in 2023, but gained ground in the last two weeks of 2023.
Further information on the company's risk exposure and risk management can be found in Note 9 "Risk and liquidity management".

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 categories. 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).

Minimum capital requirements
Risk exposure amount (REA) is calculated in accordance with CRR/CRD IV. Nordea Eiendomskreditt had 91.3% of its REA for credit risk covered by internal rating based (IRB) approach at the end of 2023. Rating and scoring are key components in the credit risk management. For operational risk the standardised approach is applied. The Board decides ultimately on the targets for capital ratios, and the capital and dividend policies follows from the overall framework of capital management at Nordea.

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 6.0%
- Total capital ratio of 8.0%

In addition, banks are required to maintain a Leverage Ratio of 3%. The leverage ratio is a non-risk-based measure calculated as the Tier 1 capital divided by an exposure measure, comprising of on-balance and off-balance sheet exposures with adjustments for certain items such as derivatives and securities financing transactions.

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 ICR specifies the amount, type and distribution of internal capital considered adequate to cover the nature and level of all risks to which Nordea Eiendomskreditt is or might become exposed to over a foreseeable future, including during periods of stress.

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. Accumulated profit in accordance with the audited accounts can be included in the own funds when any foreseeable charge or dividend has been deducted from the amount of profit.

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 2023	31 Dec 2022
Equity	21 905	22 054
Proposed/actual dividend	-500	-648
Common Equity Tier 1 capital before regulatory adjustments	21 405	21 406
Deferred tax assets		
Intangible assets		
IRB provisions shortfall (-)	-114	-79
Pension assets in excess of related liabilities		
Other items, net	-6	-9
Total regulatory adjustments to Common Equity Tier 1 capital	-120	-88
Common Equity Tier 1 capital (net after deduction)	**21 285**	**21 317**
Additional Tier 1 capital before regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital		
Additional Tier 1 capital		
Tier 1 capital (net after deduction)	**21 285**	**21 317**
Tier 2 capital before regulatory adjustments	1 100	1 100
IRB provisions excess (+)	162	113
Deductions for investments in insurance companies		
Other items, net		
Total regulatory adjustments to Tier 2 capital	162	113
Tier 2 capital	1 262	1 213
Own funds (net after deduction)	**22 548**	**22 530**

Capital position and risk exposure amount
Nordea Eiendomskreditt's Common Equity Tier 1 capital ratio was 26.0% at the end of 2023, a decrease of 0.6 percentage points from the end of last year. Total Capital ratio decreased 0.6 percentage points to 27.5%. The decrease was primarily due to increased Risk Exposure Amount (REA).
REA was NOK 81 987m, an increase of 2.3% compared to the end of last year (NOK 80 161m). The main driver for the increase in REA was the IRB retail portfolio, primarily stemming from growth in lending to the public.
Own funds was NOK 22 548m at the end of 2023, of which NOK 1 100m is a subordinated loan. The Tier 1 capital and the Common Equity Tier 1 capital were NOK 21 285m (no additional Tier 1 capital).

Further information
Further information on capital management and capital adequacy is presented in Note 7 "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) and Single Resolution Mechanism Regulation (SRMR) in 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 'banking package' was implemented from 1 June 2022, and from the same date a Net Stable Funding Ratio (NSFR) of 100% became a regulatory requirement for measuring long-term structural liquidity risk.

The new European Covered Bond Directive (EU 2019/2162) and Regulation (EU 2019/2160) 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. The framework was implemented in Norwegian law from 8 July 2022 simultaneously as in the EU.

Capital buffers
In Norway, a Systemic Risk Buffer (SRB) of 4.5% was implemented from 31 December 2020. Extended implementation period until 31.12.2023 was adopted to banks not using the Advanced IRB Approach. Norges Bank has decided to keep the countercyclical buffer (CCyB) unchanged at 2.5 %. In addition, there is a Capital Conservation Buffer (CCoB) of 2.5%.

On 29 September 2023, the Norwegian Ministry of Finance decided the identification of the four O-SII (Other Systemically Important Institutions) entities in Norway, of which Nordea Eiendomskreditt (NEK) is identified, similar to last year. NEK is being subject to the same O-SII buffer of 1 %.

In Norway, the risk weight floor for residential real estate is set at 20% and for commercial real estate at 35% in accordance with article 458 of the CRR. On 16 December 2022, the Norwegian Ministry of Finance decided to extend the floors at same level until 31 December 2024.

EU implementation of finalised Basel III framework ("Basel IV")
Basel III is a global regulatory framework for bank capital adequacy, stress testing and liquidity risk. In December 2017, the finalised Basel III framework, often called the Basel IV package, was published. It includes revisions to credit risk, market risk, operational risk, credit valuation adjustment (CVA) risk and the leverage ratio and introduces a new output floor.

Before being applicable to Nordea, the Basel IV package needs to be implemented into EU regulatory framework, which is achieved by amending the CRR and CRD. The negotiations between the EU Commission, EU Council and EU Parliament have been finalised and the final approval on the CRR3 regulation is expected in the first half of 2024. The new regulation is expected to be in force on 1 January 2025.

On credit risk, the proposal includes revisions to both the IRB approach, where restrictions on the use of IRB for certain exposures are implemented, as well as on 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 will be floored to 72.5% of the total Pillar 1 REA calculated with the standardised approaches for credit, market and operational risk. The floor is expected be phased in, starting with 50% from 1 January 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 of 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 1 November 2022 in connection with the merger with Nordea Direct Boligkreditt, 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 71.

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 terms and conditions including total limit of liability of the policy are in line with large European banks.

Financial reporting risk management

Financial reporting risk (FRR) is defined as the risk of misstatements or deficiencies in financial reporting, regulatory reporting, disclosures, tax reporting, management reporting and reporting of Environment, Social and Governance ("ESG") information.

An internal control framework for managing the financial reporting risk is in place, providing the structure and standards for designing, operating and evaluating the internal controls over financial reporting across the Nordea Group. The framework is the mechanism through which management expresses its financial statement assertions. Group Risk is the risk control function for financial reporting risk and is responsible for the independent monitoring 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, and with reporting to the Board/Board Risk Committee.

Further disclosures regarding corporate governance and internal control can be found in Note 9 "Risk and liquidity management".

People and working environment

Working in Nordea means working in 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 2023 the company had 24 (23) employees. Staffing was equivalent to 22.0 (21.5) 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 2023 was 7.5% (6.3%). A total of 449 (330) working days were lost to sickness in 2023. There are no reports of work-related personnel injuries as caused by accidents or other incidents in Nordea Eiendomskreditt in 2023. The working environment is considered to be good.

Information on remuneration to the company's employees and officers can be found in Note 6.1 "Staff costs".

Gender equality and diversity

50% of the employees in Nordea Eiendomskreditt and 63% of the members of the management group at the end of 2023 were female. Board composition at the end of 2023 is made up of 4 women and 2 men, employee representative excluded. The company has adopted Nordea Group's diversity policy for the Group Board https://www.nordea.com/en/about-us/corporate-governance/board-of-directors/composition-and-diversity-policy. The ambition for the board composition is of each gender to have at least 40% representation in compliance with the policy and the requirements in the new Limited Liability Companies Act section 11-6a by year-end 2024. 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.

Changes in Management and Board of Directors

On 9 November 2023 Elen M. Stiksrud was appointed new CEO in Nordea Eiendomskreditt AS after having served as acting CEO of the company since 6 February 2023. On 1 June 2023 Randi Marjamaa was appointed new chair of the board and replaced Marte Kopperstad. On 2 May 2023 Tina Sandvik was appointed new board member and replaced Pål Ekberg.

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
In accordance with the sustainability-related ambition of the Nordea Group, Nordea Eiendomskreditt is committed to sustainable business development by combining financial performance with environmental and social responsibility as well as sound governance practices. At the core of our operations is the development and provision of financial services and offerings that support the transition to a sustainable economy and with that, enable customers to make conscious and sustainable choices (https://www.nordea.com/en/sustainability/sustainable-choice).

In Nordea Eiendomskreditt this resulted in the first Nordea green covered bond issued in 2021, and a second green covered bond issued in 2023. In addition to product offering of Green mortgage loans for energy efficient dwellings, Nordea Eiendomskreditt launched a new product in 2023, called Energy savings loan, which is a loan to finance measures that will improve the energy efficiency of the customer's home. All housing measures recommended by Enova qualify for Energy savings loans.

For more information on how the Nordea Group works with sustainability, please see Nordea's Annual Report, published at https://www.nordea.com/en/investors/group-annual-reports/. This report also cover the sustainability reporting requirements for Nordea Eiendomskreditt as required by section 3-3c of the Norwegian Accounting Act (regnskapsloven).

Environmental, social and corporate governance (ESG) related risks
Nordea defines ESG risk as the risk of an adverse financial impact in the short to longer term, deriving from the direct or indirect impact that environmental (including climate), social and governance issues may have on Nordea. It is important for Nordea to integrate ESG assessments into our risk management frameworks. Further information on ESG related risk in Nordea can be found in Pillar 3, Nordea's capital and risk reporting, published at https://www.nordea.com/en/investors/capital-and-risk-reports-pillar-3. Nordea Eiendomskreditt's operations result in minimal pollution of the environment.

Due diligence assessment under the Transparency Act
Nordea Eiendomskreditt has conducted a due diligence assessment in accordance with the OECD guidelines for multinational enterprises. These assessments have investigated whether there are any actual, or risks of, adverse impacts on human rights or decent working conditions in our operations, supply chain and other business relationships. Information about Nordea Eiendomskreditt's due diligence assessment and the corresponding report is available on https://www.nordea.com/en/investors/norwegian-subsidiary-reports.

Outlook for 2024
During 2024, Nordea Eiendomskreditt AS will prepare for a successful acquisition and integration of mortgage loans from Danske Bank towards the end of the year.

In the context of the uncertain macroeconomic environment with higher inflation and interest rates, and how this will affect our customers, Nordea Eiendomskreditt AS will continuously monitor the economic outlook and the development of the lending portfolio in order to react timely to adverse developments.

Depending on the development of consumer prices, wages and the Norwegian krone, we expect a stable or a moderate decrease in the Norwegian Central Bank's key policy rate in 2024. A stabilisation of the interest rate level could ease some of the uncertainties rooted in the housing market.

Nordea Eiendomskreditt AS
Oslo, 5 March 2024

Randi Marjamaa Chair	Gro Elisabeth Lundevik Vice Chair	Ola Littorin Board member
Asbjørn Rødal Board member	Tina Sandvik Board member	Lene Steinum Board member
Anne Sofie Knoph Employee representative	Elen M. Stiksrud Chief Executive Officer	

Income statement

NOKt	Note	Jan-Dec 2023	Jan-Dec 2022
Operating income			
Interest income calculated using the effective interest rate method		15,553,396	8,458,243
Other interest income		358,198	98,957
Interest expense		13,975,092	6,238,603
Net interest income	**2.1, 8.3**	**1,936,502**	**2,318,597**
Fee and commission income		116,322	111,547
Fee and commission expense		31,381	34,569
Net fee and commission income	**2.2**	**84,940**	**76,978**
Net result from items at fair value	2.3, 8.3	-77,058	-11,077
Other income		584	3,359
Total operating income		**1,944,968**	**2,387,857**
Staff costs	6.1, 6.2	37,902	31,171
Other operating expenses	2.4, 8.3	1,191,832	1,387,333
Depr/amortisation and impairment charges		155	136
Total operating expenses		**1,229,889**	**1,418,640**
Profit before loan losses		**715,079**	**969,216**
Loan losses	2.5	47,139	106,375
Operating profit		**667,940**	**862,841**
Income tax expense	2.6	167,677	215,022
Net profit for the period		**500,263**	**647,819**
Attributable to:			
Shareholder of Nordea Eiendomskreditt AS		500,263	647,819
Total		**500,263**	**647,819**

Statement of comprehensive income

NOKt	Jan-Dec 2023	Jan-Dec 2022
Net profit for the period	**500,263**	**647,819**
Items that may be reclassified subsequently to the income statement		
Cash flow hedges:		
Valuation gains/losses	148	7,019
Tax on valuation gains/losses	-37	-1,755
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of defined benefit plans	-1,945	1,504
Tax on remeasurement of defined benefit plans	486	-376
Other comprehensive income, net of tax	-1,347	6,393
Total comprehensive income	**498,916**	**654,212**
Attributable to:		
Shareholders of Nordea Eiendomskreditt AS	498,916	654,212
Total	**498,916**	**654,212**

Balance sheet

NOKt	Note	31 Dec 2023	31 Dec 2022
Assets			
Loans to credit institutions	8.3	2,462,506	731,472
Loans to the public	2.5, 3.5, 3.8, 5.1	334,307,675	323,251,987
Interest-bearing securities	3.6	10,585,566	5,435,886
Derivatives	3.7, 3.4, 8.3	183,957	423,732
Fair value changes of the hedged items in portfolio hedges of interest rate risk		-42,670	-55,554
Property and Equipment owned and RoU		681	77
Other assets		-186	-33
Accrued income and prepaid expenses		49,380	19,524
Total assets		**347,546,908**	**329,807,091**
Liabilities			
Deposits by credit institutions	3.9, 8.3	125,845,296	155,913,879
Debt securities in issue	3.9, 5.1, 8.3	197,449,415	149,352,274
Derivatives	3.7, 3.4, 8.3	665,463	761,036
Current tax liabilities	2.6	53,530	209,296
Other liabilities		15,149	20,845
Accrued expenses and prepaid income	8.3	228,641	226,015
Deferred tax liabilities	2.6	247,210	133,515
Provisions		4,818	8,211
Retirement benefit obligations	6.2	27,417	24,682
Subordinated loan capital	8.3	1,104,751	1,103,819
Total liabilities		**325,641,690**	**307,753,572**
Equity			
Share capital	8.3	1,879,565	1,879,565
Share premium	8.3	9,874,082	9,874,082
Other reserves		-23,040	-21,693
Retained earnings		9,674,348	9,673,746
Net profit for the period		500,263	647,819
Total equity		**21,905,218**	**22,053,520**
Total liabilities and equity		**347,546,908**	**329,807,091**
Off-balance sheet commitments			
Assets pledged as security for own liabilities	5.1	313,603,507	245,131,742
Commitments	5.2	35,072,002	31,618,092

Nordea Eiendomskreditt AS
Oslo, 5 March 2024

Randi Marjamaa
Chair

Gro Elisabeth Lundevik
Vice Chair

Ola Littorin
Board member

Asbjørn Rødal
Board member

Tina Sandvik
Board member

Lene Steinum
Board member

Anne Sofie Knoph
Employee representative

Elen M. Stiksrud
Chief Executive Officer

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 2023	**1,879,565**	**9,874,082**	**-9,681**	**-12,012**	**10,321,567**	**22,053,520**
Net profit for the year					500,263	500,263
Items that may be reclassified subsequently to the income statement						
Cash flow hedges:						
Valuation gains/losses			148			148
Tax on valuation gains/losses			-37			-37
Items that may not be reclassified subsequently to the income statement						
Defined benefit plans:						
Remeasurement of defined benefit plans				-1,945		-1,945
Tax on remeasurement of defined benefit plans				486		486
Other comprehensive income, net of tax	0	0	111	-1,459	0	-1,347
Total comprehensive income	**0**	**0**	**111**	**-1,459**	**500,263**	**498,916**
Contribution and distribution						
Share Based Payments					602	602
Dividend paid					-647,819	-647,819
Balance at 31 December 2023	**1,879,565**	**9,874,082**	**-9,570**	**-13,470**	**10,174,613**	**21,905,218**

NOKt	Share capital[1]	Share premium	Other reserves: Cash flow hedges	Other reserves: Defined benefit plans	Retained earnings	Total equity
Balance at 1 January 2022	**1,938,662**	**9,814,985**	**-14,945**	**-13,140**	**10,399,499**	**22,125,061**
Net profit for the year					647,819	647,819
Items that may be reclassified subsequently to the income statement						
Cash flow hedges:						
Valuation gains/losses			7,019			7,019
Tax on valuation gains/losses			-1,755			-1,755
Items that may not be reclassified subsequently to the income statement						
Defined benefit plans:						
Remeasurement of defined benefit plans				1,504		1,504
Tax on remeasurement of defined benefit plans				-376		-376
Other comprehensive income, net of tax	0	0	5,265	1,128	0	6,393
Total comprehensive income	**0**	**0**	**5,265**	**1,128**	**647,819**	**654,212**
Contribution and distribution						
Share Based Payments					247	247
Dividend paid					-726,000	-726,000
Change of share capital	-59,097	59,097				0
Balance at 31 December 2022	**1,879,565**	**9,874,082**	**-9,681**	**-12,012**	**10,321,567**	**22,053,520**

1 The company's share capital at 31 December 2023 was NOKt 1,879,565,-. The number of shares was 16 781 828, each with a quota value of NOK 112. All shares are owned by Nordea Bank AB (publ).

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

Cash flow statement

NOKt	Note	2023	2022
Operating activities			
Operating profit before tax		667,940	862,841
Adjustments for items not included in cash flow (related to loan loss allowances)	2.5	46,496	97,727
Income taxes paid	2.6	-209,299	-261,312
Cash flow from operating activities before changes in operating assets and liabilities		**505,137**	**699,256**
Changes in operating assets			
Change in loans to credit inst, non-liquid		-504,116	0
Change in loans to the public	3.5	-11,105,577	-17,664,399
Change in interest-bearing securities	3.6	-5,149,679	-41,346
Change in derivatives, net	3.7	144,201	949,386
Change in other assets		-43,190	46,176
Changes in operating liabilities			
Change in deposits by credit institutions	3.9	-30,068,583	-25,462,473
Change in debt securities in issue	3.9	48,097,140	42,227,149
Change in other liabilities		-2,130	-32,454
Cash flow from operating activities		**1,873,203**	**721,295**
Financing activities			
Change of accrued interest on subordinated loan capital	3.9	932	1,993
Dividend paid		-647,819	-726,000
Share Based Payment Programme		602	274
Cash flow from financing activities		**-646,285**	**-723,733**
Cash flow for the period		**1,226,918**	**-2,438**

Cash and cash equivalents

NOKt	31 Dec 2023	31 Dec 2022
Cash and cash equivalents at beginning of the period (Loans to credit institutions)	731,472	733,910
Cash and cash equivalents at end of the period (included in Loans to credit institutions)[1]	1,958,390	731,472
Change	**1,226,918**	**-2,438**

[1]Excluding non-liquid loans to credit institutions of NOK 504m.

Comments on the cash flow statement

The cash flow statement shows inflows and outflows of cash and cash equivalents during the year. Nordea Eiendomskreditt's cash flow has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as loan losses. The cash flows are classified by operating, investing and financing activities.

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

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

NOKt	Jan-Dec 2023	Jan-Dec 2022
Interest payments received	15 499 255	8 157 307
Interest expenses paid	-13 206 032	-5 341 358

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

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

Notes to the financial statements

Note 1 Accounting policies

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1.1 Basis for presentation
1.2 Changed accounting policies and presentation
1.3 Changes in IFRSs not yet applied
1.4 Critical judgements and estimation uncertainty
1.5 Translation of assets and liabilities denominated in foreign currencies
1.6 Exchange rates

1.1 Basis for presentation

The financial statements of Nordea Eiendomskreditt AS are prepared in accordance with IFRS® Accounting Standards as adopted by the EU Commission. In addition, certain complementary rules in the Norwegian Accounting Act with supported regulation have been applied.

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

On 5 March 2024 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 7 March 2024.
The accounting policies, method of computation and presentations are unchanged in comparison with the Annual Report 2022, except for the items presented in the section "Changed accounting policies and presentation" below.

Nordea Eiendomskreditt is part of the Nordea Group and the Group's Annual Report is available at www.nordea.com/en/investors/group-annual-reports.

1.2 Changed accounting policies and presentation

New accounting policies and presentation implemented during 2023 and their impact on the financial statements of Nordea Eiendomskreditt are described below.

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

On 1 January 2023 Nordea Eiendomskreditt started applying the amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

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

The gross deferred tax assets and liabilities will be disclosed, but will be set off on the balance sheet if such requirements are met.

The amendments have not had any significant impact on the financial statements or capital adequacy of Nordea Eiendomskreditt in the period of initial application.

Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules

In May 2023 the International Accounting Standards Board (IASB) published amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules. The amendments include a temporary exception to the accounting for deferred taxes arising from the implementation of the Pillar 2 model rules. The amendments also include disclosure requirements for periods in which the pillar two legislation is enacted or substantively enacted, but not yet in effect. Known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar 2 income taxes arising from that legislation, should be disclosed.

The amendments were effective as of publication of the amendments and have been endorsed by the EU. The amendments have not had any impact on the financial statements or capital adequacy compared with the previous situation as the potential impact of the Pillar 2 model rules is not reflected in the financial statements.

Norway enacted the Pillar 2 legislation at the end of 2023. Since the newly enacted tax legislation was not effective until 1 January 2024, it had no current tax impact on Nordea Eiendomskreditt in 2023.

At the time this Annual Report was published, it was not possible to comment on the impact of the amendments on the Nordea Eiendomskreditt's financial statement, as a full assessment of the financial impact of the enacted Pillar 2 legislation has not been completed.

Other amendments to IFRS

The following amended standards issued by the International Accounting Standards Board (IASB) were implemented by Nordea Eiendomskreditt on 1 January 2023, but have not had any significant impact on its financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting estimates

1.3 Changes to IFRSs not yet applied

The IASB has published the following new or amended standards that are assessed not to have any significant impact on Nordea's financial statements or capital adequacy in the period of initial application:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current as well as Classification of Liabilities as Current or Non-current Deferral of Effective Date; and Non-current Liabilities with Covenants
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback.

1.4 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

Nordea Eiendomskreditt applied critical judgements in the preparation of this annual report due to the uncertainty concerning the potential long-term impact of higher energy and raw material prices and reduced consumer spending in various economic sectors on the company's financial statements. Area of particular importance during 2023 was the impairment testing of loans to the public. In terms of direct credit risk Nordea Eiendomskreditt does not have any exposure towards Russia and Ukraine. For more information, see Note 3.5 "Loans and impairment".

1.5 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 2023, see section 1.6 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 under "Net result on items at fair value".

1.6 Exchange rates

GBP 1 = NOK	2023	2022
Income statement (average)	13.1381	11.8469
Balance sheet (at end of period)	12.8977	11.8848

EUR 1 = NOK		
Income statement (average)	11.4238	10.1021
Balance sheet (at end of period)	11.2120	10.5180

2 Financial performance and returns

Note 2.1 Net interest income

Accounting policies

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”.

NOKt	Jan-Dec 2023	Jan-Dec 2022
Interest income calculated using the effective interest rate method	15,553,396	8,458,243
Other interest income	358,198	98,957
Interest expense	13,975,092	6,238,603
Net Interest income	**1,936,502**	**2,318,597**
Interest income calculated using the effective interest rate method		
Loans to credit institutions	63,536	44,839
Loans to customers	15,411,921	8,338,649
Yield fees	50,584	69,467
Net interest paid or received on derivatives in accounting hedges of assets	27,355	5,288
Interest income	**15,553,396**	**8,458,243**
Other interest income		
Interest-bearing securities measured at fair value	358,198	98,957
Other interest income[1]	**358,198**	**98,957**
Interest expense		
Deposits by credit institutions	6,404,791	3,425,269
Debt securities in issue	7,112,913	2,611,354
Subordinated loan capital	61,631	36,518
Other interest expenses	129,843	156,613
Net interest paid or received on derivatives in hedges of liabilities	265,913	8,849
Interest expense	**13,975,092**	**6,238,603**

Interest from categories of financial instruments

NOKt	Jan-Dec 2023	Jan-Dec 2022
Financial assets at amortised cost	15,526,041	8,454,945
Financial assets at fair value through profit or loss (including hedging instruments)[1]	385,553	102,256
Financial liabilities at amortised cost	-13,709,179	-6,229,755
Financial liabilities at fair value through profit or loss (related to hedging instruments)[1]	-265,913	-8,849
Net interest income	**1,936,502**	**2,318,597**

[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.

Note 2.2 Net fee and commission income

Accounting policies

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.

NOKt	2023	2022
Custody and issuer services	-3,588	-2,260
- of which expense	-3,588	-2,260
Payments	-28	-43
- of which expense	-28	-43
Lending Products	111,634	109,563
- of which income	111,634	109,563
Other	-23,078	-30,282
- of which income	4,687	1,983
- of which expense[1]	-27,765	-32,266
Total	**84,940**	**76,978**

[1]Other commission expense include NOK 19.2m related to the Liquidity Transfer and Support agreement with the parent bank and NOK 7.8m for market data services.

Note 2.3 Net result from items at fair value

Accounting policies

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 under "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 or paid 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 under "Loan losses" (see also the sub-section "Loan losses" below).

Net gains/losses for categories of financial instruments	2023	2022
Financial assets and liabilities mandatorily at fair value through profit or loss[1]	84,642	-866,788
Financial assets at amortised cost[2]	-6,274	-65,688
Financial liabilities at amortised cost[3]	-155,529	920,915
Foreign exchange gains/losses excluding currency hedges	103	483

[1] This row comprises of interest bearing securities and derivatives, including derivates held for economic hedging, which do not meet the requirements for hedge accounting according to IAS 39.

[2] This row includes net gain/loss arising from derecognition of financial assets measured at amortised cost. The reason for derecognition is that the assets were prepaid by the customer. This line item also includes fair value changes of hedged amortised cost assets in hedges of interest rate risk.

[3] This row mainly includes fair value changes of hedged amortised cost liabilities in hedges of interest rate risk.

Note 2.4

NOKt	2023	2022
Market data services	6,294	5,406
Services bought from Group companies	1,130,084	1,326,320
Auditor's fee	1,668	2,017
Resolution fees	51,084	47,037
Other operating expenses	2,703	6,554
Total	**1,191,832**	**1,387,333**

Auditor's fee for 2023 comprise NOKt 1 668 incl.VAT, of which NOKt 1 621 relates to audit work and NOKt 46 relates to other audit related services.

Note 2.5 Loan losses

Accounting policies

Impairment losses from financial assets classified into the category “Amortised cost” (see accounting policies Note 3.2), under “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 accounting policies to Note 3.5.

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”.

NOKt	Jan-Dec 2023	Jan-Dec 2022
Net loan losses, Stage 1	-3,974	16,112
Net loan losses, Stage 2	3,409	62,172
Total loan losses, non-defaulted	**-565**	**78,284**
Stage 3, defaulted		
Net loan losses, individually assessed, collectively calculated	49,525	19,946
Realised loan losses	3,007	15,709
Recoveries on previous realised loan losses	-2,549	-7,122
Reversals of provisions	-2,280	-442
Net loan losses, defaulted	**47,703**	**28,091**
Net loan losses	**47,138**	**106,375**

Key ratios[1]

	Jan-Dec 2023	Jan-Dec 2022
Loan loss ratio, basis points	1.42	3.37
- of which stage 1	-0.11	0.51
- of which stage 2	0.10	1.97
- of which stage 3	1.44	0.89

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

Note 2.6 Taxes

Income tax expense

NOKt	2023	2022
Current tax[1]	54,264	222,352
Deferred tax[2]	113,414	-7,330
[1] of which relating to prior years	3	13,023
[2] of which relating to prior years	730	-13,023
	733	

Current and deferred tax recognised in Other comprehensive income		
Deferred tax on remeasurements of pension obligations DBP	486	-376
Deferred tax relating to cash flow hedges	-37	-1,755
Total	**449**	**-2,131**

Tax on the company's operating profit may differ from the theoretical amount that would arise using the tax rate in Norway, as follows:

NOKt	2023	2022
Profit before tax	667,940	862,841
Tax calculated at a tax rate of 25%	-166,935	-215,010
Non-deductable expenses	-10	-12
Adjustments related to prior years	-733	0
Total tax charge	**-167,678**	**-215,022**
Average effective tax rate	-25.1 %	-24.9 %

Deferred tax

NOKt	2023	2022
Deferred tax expense (-) / income (+)		
Deferred tax due to temporary differences	-113,414	-5,693
Income tax expense, net	**-113,414**	**-5,693**

	Deferred tax assets		Deferred tax liabilities	
NOKt	2023	2022	2023	2022
Deferred tax assets/liabilities related to:				
Financial instruments and derivatives			-253,984	-139,585
Retirement benefit obligations	6,854	6,171		
Property and equipment			-81	-101
Other				
Netting between deferred tax assets and liabilities	-6,854	-6,171	6,854	6,171
Total deferred tax assets/liabilities	**0**	**0**	**-247,211**	**-133,515**

Movements in deferred tax assets/liabilities net, are as follows:	2023	2022
Balance at 1 January	-133,515	-138,714
Deferred tax relating to items recognised in Other comprehensive income	449	-2,131
Adjustments relating to prior years	-730	13,023
Deferred tax in the income statement	-113,414	-5,693
Balance at 31 December	**-247,210**	**-133,515**

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

Deferred tax totalling NOK 247m 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 forward at 31 December 2023.

3 Financial instruments

Note 3.1 Recognition on and derecognition from the balance sheet

Accounting policies

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised (from the balance sheet on the trade date. Between trade date and settlement date these assets and liabilities are recognised as “Other assets” or ”Other liabilities” on the balance sheet.

Other financial instruments are recognised in the balance sheet on settlement date.

Note 3.2 Classification of assets and liabilities

Accounting policies

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 or loss
  - Derivatives used for hedging

Financial liabilities.

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

The classification of a financial assets is dependent on the business model for the portfolio in which 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 or 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. Financial assets included in any other business model are measured at fair value through profit or 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 Eiendomskreditt has taken the current business area structure into account. When determining the business model for each portfolio Nordea Eiendomskreditt has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.
In the table below 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 accounting policies in Note 2.1 “Net interest income”. For information about impairment under IFRS 9, accounting policies Note 3.5 “Loans and impairment”.

Interest on assets and liabilities classified at amortised cost is recognised under “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 value are recognised directly in the income statement under “Net result from items at fair value”.

Derivatives
All derivatives are recognised in the balance sheet and measured at fair value. Derivatives with a positive fair value, including any accrued interest, are recognised as assets under “Derivatives” on the asset side.
Derivatives with a negative fair value, including any accrued interest, are recognised as liabilities under “Derivatives” on the liability side.
Realised and unrealised gains and losses from derivatives are recognised in the income statement under “Net result on items at fair value”.

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

		Fair value through profit or loss (FVPL)			
31 December 2023, NOKt	**Amortised cost (AC)**	**Mandatorily**	**Derivatives used for hedging**	**Non-financial assets**	**Total**
Assets					
Loans to credit institutions	2,462,506				2,462,506
Loans to the public	334,307,675				334,307,675
Interest-bearing securities		10,585,566			10,585,566
Derivatives			183,957		183,957
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-42,670				-42,670
Property and Equipment owned and RoU				681	681
Other assets				-186	-186
Accrued income and prepaid expenses	48,127			1,253	49,380
Total assets	**336,775,638**	**10,585,566**	**183,957**	**1,748**	**347,546,908**

		Fair value through profit or loss (FVPL)			
31 December 2023, NOKt	**Amortised cost (AC)**	**Mandatorily**	**Derivatives used for hedging**	**Non-financial assets**	**Total**
Liabilities					
Deposits by credit institutions	125,845,296				125,845,296
Debt securities in issue	197,449,415				197,449,415
Derivatives		146,593	518,870		665,463
Current tax liabilities				53,530	53,530
Other liabilities	3,518			11,631	15,149
Accrued expenses and prepaid income	11,145			217,496	228,641
Deferred tax liabilities				247,210	247,210
Provisions				4,818	4,818
Retirement benefit obligations				27,417	27,417
Subordinated loan capital	1,104,751				1,104,751
Total liabilities	**324,414,125**	**146,593**	**518,870**	**562,102**	**325,641,690**

		Fair value through profit or loss (FVPL)			
31 December 2022, NOKt	**Amortised cost (AC)**	**Mandatorily**	**Derivatives used for hedging**	**Non-financial assets**	**Total**
Assets					
Loans to credit institutions	731,472				731,472
Loans to the public	323,251,987				323,251,987
Interest-bearing securities		5,435,886			5,435,886
Derivatives		-17,698	441,430		423,732
Fair value changes of hedged items in portfolio hedges of interest rate risk	-55,554				-55,554
Equipment owned and RoU				77	77
Other assets				-33	-33
Prepaid expenses and accrued income	18,148			1,376	19,524
Total Assets	**323,946,054**	**5,418,188**	**0**	**-33**	**329,807,092**

		Fair value through profit or loss (FVPL)			
NOKt	**Amortised cost (AC)**	**Mandatorily**	**Derivatives used for hedging**	**Non-financial assets**	**Total**
Liabilities					
Deposits by credit institutions	155,913,879				155,913,879
Debt securities in issue	149,352,274				149,352,274
Derivatives		158,537	602,499		761,036
Current tax liabilities				209,297	209,297
Other liabilities	3,597			17,247	20,844
Accrued expenses and prepaid income	3,883			222,132	226,015
Deferred tax liabilities				133,515	133,515
Provisions				8,211	8,211
Retirement benefit obligations				24,682	24,682
Subordinated loan capital	1,103,819				1,103,819
Total Liabilities	**306,377,452**	**158,537**	**602,499**	**615,083**	**307,753,572**

Note 3.3 Assets and liabilities at fair value

Accounting policies

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 under "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 of liquidity and volume required for a market to be considered active varies depending on the class of instruments. 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 to establish fair value is higher.

The trade frequency and volume are monitored regularly in order to assess if markets are active or not 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.

See a breakdown below 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 Group 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 Committee and all models are reviewed on a regular basis.

Fair value measurement of certain financial instruments

Critical judgements that have a significant impact on the recognised amounts for financial instruments are 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 calculation 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.

Fair value of financial assets and liabilities

	31 Dec 2023		31 Dec 2022	
NOKt	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	336,727,511	337,499,000	323,927,906	328,228,331
Interest-bearing securities	10,585,566	10,585,566	5,435,886	5,435,886
Derivatives	183,957	183,957	423,732	423,732
Other assets	0	0	0	0
Accrued income and prepaid expenses	48,127	48,127	18,148	18,148
Total financial assets	**347,545,159**	**348,316,649**	**329,805,671**	**334,106,097**
Financial liabilities				
Deposits and debt instruments	324,399,462	324,500,812	306,369,973	306,385,298
Derivatives	665,463	665,463	761,036	761,036
Other financial liabilities	3,518	3,518	3,597	3,597
Accrued expenses and prepaid income	11,145	11,145	3,883	3,883
Total financial liabilities	**325,079,589**	**325,180,938**	**307,138,489**	**307,153,814**

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" below in this note.

Assets and liabilities held at fair value on the balance sheet

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

31 December 2022, NOKt	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Financial assets [1]				
Interest-bearing securities		5,435,886	0	5,435,886
Derivatives		423,732	0	423,732
Total assets	**0**	**5,859,618**	**0**	**5,859,618**
Financial liabilities [1]				
Derivatives		702,726	58,310	761,036
Total liabilities	**0**	**702,726**	**58,310**	**761,036**

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

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.

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 2023. When transfers between levels occur, these are considered to have occurred at the end of the reporting period.

Movements in Level 3

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

In 2023 one derivative contract has been transferred from level 3 to level 2, while one derivative contract is still valuated according to level 3. One interest-bearing security purchased in 2023 is valuated according level 3. Valuation according to level 3 is due to observable market data not being available. Fair value gains and losses in the income statement during the period are included in Net result from items at fair value, see Note 2.3 "Net result from items at fair value".

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

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

The table above shows, for each class of assets and liabilities categorised in level 3, the fair value, the valuation techniques used to estimate the fair value and significant unobservable inputs used in the valuation techniques.

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 accounting policies in this note).

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

	31 Dec 2023		31 Dec 2022		
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	336,727,511	337,499,000	323,927,906	328,228,331	3
Other financial assets	0	0	0	0	3
Prepaid expenses and accrued income	48,127	48,127	18,148	18,148	3
Total assets	**336,775,638**	**337,547,127**	**323,946,054**	**328,246,479**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	324,399,462	324,500,812	306,369,973	306,385,298	3
Other financial liabilities	3,518	3,518	3,597	3,597	3
Accrued expenses and prepaid income	11,145	11,145	3,883	3,883	3
Total liabilities	**324,414,125**	**324,515,475**	**306,377,453**	**306,392,778**	

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 3.4 Financial instruments set off on balance or subject to netting agreements

Accounting policies

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 a situation of resolution or public administration, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously.

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 counterparties, in any calculations involving counterparty credit risk.

For a description of counterparty risk see section Counterparty credit risk in Note 9 “Risk and liquidity management”.

Financial instruments set off on the balance sheet or subject to netting agreements

				Amounts not set off but subject to master netting agreements and similar agreements			
31 Dec 2023, NOKt	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Financial instruments	Financial collateral received	Cash collateral received	Net ar
Assets							
Derivatives	183,957	0	183,957	-157,719	0	0	2
Total	**183,957**	**0**	**183,957**	**-157,719**	**0**	**0**	**2**
Liabilities							
Derivatives	665,463	0	665,463	-157,719	0	0	50
Total	**665,463**	**0**	**665,463**	**-157,719**	**0**	**0**	**50**

				Amounts not set off but subject to master netting agreements and similar agreements			
31 Dec 2022, NOKt	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet[2]	Financial instruments	Financial collateral received	Cash collateral received	Net ar
Assets							
Derivatives	423,732	0	423,732	-221,051	0	0	20
Total	**423,732**	**0**	**423,732**	**-221,051**	**0**	**0**	**20**
Liabilities							
Derivatives	761,036	0	761,036	-221,051	0	0	53
Total	**761,036**	**0**	**761,036**	**-221,051**	**0**	**0**	**53**

[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.

Note 3.5 Loans and impairment

Accounting policies

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 accounting policies in Note 2.5 “Loan losses” and Note 3.2 “Classification of assets and liabilities”.

Off-balance sheet 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 Eiendomskreditt, 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 Eiendomskreditt 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 Eiendomskreditt applies the same definition of default as the Capital Requirements Regulation. More information on the identification of loss events can be found in Note 9 “Risk and liquidity management”. 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 (LGD). 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 to IFRS 9 on 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 Eiendomskreditt 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:

- Retail customers with an initial 12-month PD below 1%:
  Exposures with a relative increase in lifetime PD above 100% and an absolute increase in 12-month PD above 45bp are transferred to stage 2.
- Retail customers with an initial 12-month PD above or equal to 1%:
  Exposures with a relative increase in lifetime PD above 100% and an absolute increase in 12-month PD above 300bp are transferred to stage 2.

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, Nordea Eiendomskreditt applies the following backstops for transfers between stages;

- 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.
- Exposures with a relative change in annualised lifetime PD exceeding 200% and with at least one rating grade of deterioration are transferred to stage 2.
- Exposures classified as "high risk", i.e. with a rating grade of 2 or below, are transferred to stage 2.

When calculating provisions, including the staging assessment, the calculation is based on both historical data and probability weighted forward looking information. Nordea Eiendomskreditt 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 Eiendomskreditt to identify events that could affect the provisions after the data is 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 the proceeds from the bankruptcy procedure and estimated recoveries are therefore 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.

Impairment testing on loans to the public

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances. 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.

NOKt	31 Dec 2023	31 Dec 2022
Loans measured at amortised cost, impaired (Stage 1 and 2)	333,635,547	322,953,240
Impaired loans (Stage 3)	1,032,728	609,274
- Servicing	381,706	206,772
- Non-servicing	651,022	402,502
Loans before allowances	**334,668,275**	**323,562,514**
Allowances for individually assessed impaired loans (Stage 3)	-162,454	-115,213
- Servicing	-47,565	-36,088
- Non-servicing	-114,889	-79,124
Allowances for collectively assessed impaired loans (Stage 1 and 2)	-198,147	-195,315
Allowances	**-360,601**	**-310,527**
Loans, carrying amount	**334,307,675**	**323,251,987**

Accrued interest on loans to the public is included with NOK 800m at 31 December 2023.

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

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 2023	**731,472**	**0**	**0**	**731,472**	**309,546,490**	**13,406,750**	**609,274**	**323,562,514**
Changes due to origination and acquisition	0	0	0	0	106,878,337	389,327	138,714	107,406,378
Changes due to transfers between Stage 1 and Stage 2, (net)	0	0	0	0	-1,491,060	1,491,060	0	0
Changes due to transfers between Stage 2 and Stage 3, (net)	0	0	0	0	0	-49,369	49,369	0
Changes due to transfers between Stage 1 and Stage 3, (net)	0	0	0	0	-85,127	0	85,127	0
Changes due to repayments and disposals	0	0	0	0	-122,601,603	-6,174,438	-259,804	-129,035,845
Changes due to write-offs	0	0	0	0	0	0	-3,007	-3,007
Other changes	1,731,034	0		1,731,034	23,946,065	8,379,114	413,056	32,738,235
Closing balance at 31 December 2023	**2,462,506**	**0**	**0**	**2,462,506**	**316,193,103**	**17,442,444**	**1,032,728**	**334,668,275**

	Credit institutions				The public			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	**748,009**	**0**	**0**	**748,009**	**294,411,988**	**10,955,292**	**530,835**	**305,898,114**
Changes due to origination and acquisition	0	0	0	0	67,889,259	454,195	61,313	68,404,767
Changes due to transfers between Stage 1 and Stage 2, (net)	0	0	0	0	-1,740,554	1,740,554	0	0
Changes due to transfers between Stage 2 and Stage 3, (net)	0	0	0	0	0	-34,341	34,341	0
Changes due to transfers between Stage 1 and Stage 3, (net)	0	0	0	0	-94,029	0	94,029	0
Changes due to repayments and disposals	0	0	0	0	-79,325,355	-3,298,755	-187,930	-82,812,041
Changes due to write-offs	0	0	0	0	0	0	-15,709	-15,709
Other changes	-16,537	0		-16,537	28,405,182	3,589,806	92,396	32,087,383
Closing balance at 31 December 2022	**731,472**	**0**	**0**	**731,472**	**309,546,490**	**13,406,750**	**609,274**	**323,562,514**

Movements of allowance accounts for loans measured at amortised cost

	The public			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	-50,045	-145,269	-115,213	-310,527
Changes due to origination and acquisition	-32,678	-47,828	-15,608	-96,113
Changes due to transfers from Stage 1 to Stage 2	3,525	-59,387	0	-55,862
Changes due to transfers from Stage 1 to Stage 3	116	0	-35,870	-35,754
Changes due to transfers from Stage 2 to Stage 1	-1,065	55,581	0	54,516
Changes due to transfers from Stage 2 to Stage 3	0	4,302	-26,803	-22,502
Changes due to transfers from Stage 3 to Stage 1	-30	0	9,150	9,121
Changes due to transfers from Stage 3 to Stage 2	0	-1,157	16,879	15,722
Changes due to changes in credit risk without stage transfer	20,729	-575	-36,592	-16,439
Changes due to repayments and disposals	12,454	43,182	41,602	97,238
Closing balance at 31 December 2023	**-46,995**	**-151,151**	**-162,454**	**-360,601**

	The public			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	-35,501	-87,014	-95,703	-218,218
Changes due to origination and acquisition	-28,894	-36,748	-4,466	-70,108
Changes due to transfers from Stage 1 to Stage 2	1,764	-67,368	0	-65,604
Changes due to transfers from Stage 1 to Stage 3	50	0	-20,469	-20,419
Changes due to transfers from Stage 2 to Stage 1	-1,126	34,266	0	33,140
Changes due to transfers from Stage 2 to Stage 3	0	1,335	-11,285	-9,949
Changes due to transfers from Stage 3 to Stage 1	-98	0	5,796	5,698
Changes due to transfers from Stage 3 to Stage 2	0	-703	4,400	3,697
Changes due to changes in credit risk without stage transfer	6,362	-15,371	-32,961	-41,970
Changes due to repayments and disposals	10,117	27,383	41,529	79,029
Other changes	-2,719	-1,049	-2,055	-5,822
Closing balance at 31 December 2022	**-50,045**	**-145,269**	**-115,213**	**-310,527**

Rating / scoring information for loans measured at amortised cost

	Gross carrying amounts 31 Dec 2023				Gross carrying amounts 31 Dec 2022			
Rating /scoring grade	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
A+	169,961,507	1,284,107	51,329	171,296,943	171,859,834	1,159,199	40,615	173,059,648
A	35,459,311	437,936	13,267	35,910,513	30,147,349	595,400	24,295	30,767,044
A-	21,895,783	572,654	13,061	22,481,498	19,782,796	591,616	3,674	20,378,086
B+	16,581,010	846,378	14,437	17,441,825	12,774,291	676,131	545	13,450,967
B	12,299,251	1,228,053	0	13,527,303	10,338,335	947,612	3,462	11,289,409
B-	7,159,737	1,261,714	17,668	8,439,120	6,289,202	955,618	7,478	7,252,298
C+	5,263,362	1,422,050	10,024	6,695,436	3,852,982	771,503	7,293	4,631,779
C	17,344,153	1,479,418	100,568	18,924,139	4,032,623	1,017,703	12,081	5,062,407
C-	3,085,519	823,429	26,508	3,935,456	2,852,195	697,378	19,571	3,569,144
D+	2,843,175	771,752	17,879	3,632,805	2,598,328	634,100	2,032	3,234,460
D	2,622,776	1,218,374	2,759	3,843,908	2,502,895	879,202	0	3,382,096
D-	16,248,673	2,385,448	43,113	18,677,234	12,848,614	1,539,774	11,133	14,399,521
E+	1,585,566	1,052,632	12,661	2,650,860	1,583,110	797,797	3,269	2,384,176
E	577,315	649,523	10,986	1,237,825	498,689	497,736	11,373	1,007,799
E-	2,122,930	650,781	72,774	2,846,486	1,020,262	593,809	47,373	1,661,444
F+	119,524	163,045	1,495	284,064	91,234	144,709	3,265	239,208
F	29,123	143,960	12,606	185,689	42,903	102,493	0	145,395
F-	251,932	781,317	15,204	1,048,453	217,459	356,870	33,403	607,733
0+ / 0 / 0-	324,327	252,915	576,958	1,154,200	142,899	125,742	335,141	603,783
Internal[1]	2,588,291	0	0	2,588,291	857,257	0	0	857,257
Standardised/Unrated[2]	292,346	16,959	19,431	328,736	25,944,705	322,357	43,271	26,310,333
Total	**318,655,609**	**17,442,444**	**1,032,728**	**337,130,781**	**310,277,962**	**13,406,750**	**609,274**	**324,293,986**

[1] Exposures towards Nordea entities.

[2] Of the standardized/unrated portfolio at end of 2022 NOK 25 973 946t stems from Nordea Direct Boligkreditt which where merged with Nordea Eiendomskreditt 1 November 2022.

Key ratios	31 Dec 2023	31 Dec 2022
Impairment rate, (stage 3) gross, basis points[1]	30.9	18.8
Impairment rate (stage 3), net, basis points[2]	26.0	15.3
Total allowance rate (stage 1, 2 and 3), basis points[3]	10.8	9.6
Allowances in relation to credit impaired loans (stage 3), %[4]	15.7	18.9
Allowances in relation to loans in stage 1 and 2 , basis points[5]	5.9	6.0

[1] Impaired loans (Stage 3) before allowances divided by total loans measured at amortised cost before allowances.
[2] Impaired loans (Stage 3) after allowances divided by total loans measured at amortised cost before allowances.
[3] Total allowances divided by total loans measured at amortised cost before allowances.
[4] Allowances for impaired loans (stage 3) divided by impaired loans measured at amortised cost (stage 3) before allowances.
[5] Allowances for not impaired loans (stage 1 and 2) divided by not impaired loans measured at amortised cost (stage 1 and 2) before allowances.

Note 3.6 Interest-bearing securities

Interest-bearing securities is split on different types of counterparties by acquired amount and carrying amount.

	31 Dec 2023		31 Dec 2022	
NOKt	Aquired amount	Carrying amount	Aquired amount	Carrying amount
Financial assets				
States, municipalities and other public bodies	4,414,614	4,384,207	2,241,620	2,267,883
Mortgage institutions	6,180,428	6,201,359	3,189,464	3,168,003
Total	**10,595,042**	**10,585,566**	**5,431,085**	**5,435,886**

Note 3.7 Derivates and hedge accounting

Accounting policies

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 below.

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 the fair value of the hedged item, as regards the hedged risk can be essentially offset by changes in the 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 Eiendomskreditt's risk management policies. 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 Note 9 "Risk and liquidity management". The risk of changes in the fair value of assets and liabilities in Nordea Eiendomskreditt's financial statements originates mainly from loans and securities 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 under "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 in macro hedges 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 both on micro and on portfolio basis. Any ineffectiveness is recognised in the income statement under the item "Net result from 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 the fair value of the hedging instrument to the change in the fair value of the hedged item. The effectiveness measurement is made on a cumulative basis.

Nordea

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 instruments
- disparity between expected and actual prepayments of the loan portfolio

Cash flow hedge accounting

In accordance with Nordea Eiendomskreditt's risk management policies, 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).

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.

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.

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 December 2023, NOKt	Fair Value Positive	Fair Value Negative	Total nominal amount
Derivatives at FVPL - Mandatorily[1]:			
Interest rate swaps	-24,697	146,593	22,000,000
Total	**-24,697**	**146,593**	**22,000,000**
Derivatives used for hedge accounting:			
Interest rate swaps	182,417	518,870	22,344,000
Currency interest rate swaps	26,238	0	938,000
Total	**208,655**	**518,870**	**23,282,000**
- of which fair value hedges	182,417	518,870	22,344,000
- of which cash flow hedges	26,238	0	938,000
Total derivatives	**183,957**	**665,463**	**45,282,000**

[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.

31 December 2022, NOKt	Fair Value Positive	Fair Value Negative	Total nominal amount
Derivatives at FVPL - Mandatorily[1]:			
Interest rate swaps	-17,698	158,537	37,000,000
Total	**-17,698**	**158,537**	**37,000,000**
Derivatives used for hedge accounting:			
Interest rate swaps	146,033	504,303	16,376,000
Currency interest rate swaps	295,397	98,196	4,208,000
Total	**441,430**	**602,499**	**20,584,000**
- of which fair value hedges	146,033	504,303	16,376,000
- of which cash flow hedges	295,397	98,196	4,208,000
Total derivatives	**423,732**	**761,036**	**57,584,000**

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 9 "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 9 "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 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 under accounting policies in this note. 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	
Fair value hedges		
Carrying amount of hedged assets[1]	904,000	1,076,000
- of which accumulated amount of fair value hedge adjustment[3]	-42,670	-55,554
Carrying amount of hedged liabilties[2]	21,937,456	15,599,363
- of which accumulated amount of fair value hedge adjustment[3]	-297,984	-555,408

[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.

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

Hedging instruments

	Fair value		Total nom
31 Dec 2023, NOKt	**Positive**	**Negative**	**amount**
Fair value hedges			
Interest rate risk	157,720	518,870	22,344,000

	Fair value		Total nom
31 Dec 2022, NOKt	**Positive**	**Negative**	**amount**
Fair value hedges			
Interest rate risk	146,033	504,303	16,376,000

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 2023**	**31 Dec 2022**
Fair value hedges		
Changes in fair value of hedging instruments	83,505	-870,873
Changes in fair value of hedged items used as basis for recognising hedge ineffectiveness	-130,335	898,117
Hedge ineffectiveness recognised in the income statement	-46,830	27,244

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		Total nom
31 Dec 2022, NOKt	**Positive**	**Negative**	**amount**
Cash flow hedges			
Interest rate risk	26,238	0	938,000

	Fair value		Total nom
31 Dec 2022, NOKt	**Positive**	**Negative**	**amount**
Cash flow hedges			
Interest rate risk	295,397	98,196	4,208,000

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

NOKt	Foreign exchange risk 31 Dec 2023	31 Dec 2022
Balance at 1 January	**-9,680**	**-14,945**
Cash flow hedges:		
Valuation gains/losses during the year	595,316	41,160
Tax on valuation gains/losses during the year	-148,829	-10,290
Transferred to the income statement during the year	-595,168	-34,140
Tax on transfers to the income statement during the year	148,792	8,535
Other comprehensive income, net of tax	111	5,265
Balance at 31 December	**-9,569**	**-9,680**

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

31 Dec 2023	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Instrument hedging interest rate risk	0	3,000	550,000	6,743,000	15,048,000	22,344,000
Total	**0**	**3,000**	**550,000**	**6,743,000**	**15,048,000**	**22,344,000**
31 Dec 2022						
Instrument hedging interest rate risk	0	165,000	7,000	7,793,000	9,349,000	17,314,000
Total	**0**	**165,000**	**7,000**	**7,793,000**	**9,349,000**	**17,314,000**

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

31 Dec 2023	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	0	938,000	938,000
Total	**0**	**0**	**0**	**0**	**938,000**	**938,000**
31 Dec 2022						
Instrument hedging foreign exchange risk	0	0	3,270,000	0	0	3,270,000
Total	**0**	**0**	**3,270,000**	**0**	**0**	**3,270,000**

Note 3.8 Cover Pool

	31 Dec 2023		31 Dec 2022	
NOKt	Nominal value	Net present value	Nominal value	Net present value
Loans to the public	333,867,921	333,695,176	323,064,144	322,450,476
- whereof pool of eligible loans	313,352,624	313,190,494	244,935,636	244,470,375
Supplementary assets and derivatives:	183,200	-266,132	409,225	-84,792
- whereof CIRS	183,200	45,739	409,225	180,556
- whereof IRS	0	-311,870	0	-265,348
Total cover pool	**313,535,824**	**312,924,362**	**245,344,861**	**244,385,583**
Debt securities in issue (net outstanding amount)	195,948,200	196,799,615	148,332,225	148,427,632
Over-collateralization calculated on net outstanding covered bonds	60.0%	59.0%	65.4%	64.6%
Debt securities in issue (issued amount)	195,948,200	196,799,615	148,332,225	148,427,632
Over-collateralization calculated on issued covered bonds (gross outstanding covered bonds)[1]	60.0%	59.0%	65.4%	64.6%

[1] Without deduction for holdings of own bonds, if any.

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

The guidelines for calculating the over-collateralization requirement in the Norwegian legislation is given in the Financial Undertakings Act (Act No. 17 of 10 April 2015) Chapter 11 Bonds secured on a loan portfolio (covered bonds), and appurtenant regulations. The calculation shall be based on gross outstanding covered bonds and by use of nominal values. Net present values are disclosed for information and may differ from fair values disclosed in other notes to this report due to different calculation methods.

Note 3.9 Debt securities in issue and loans from financial institutions

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

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

Maturity information	31 Dec 2023	31 Dec 2022
Maximum 1 year	60,987,000	65,238,796
More than 1 year	260,991,200	239,505,450
Total	**321,978,200**	**304,744,246**

Norwegian covered bonds (NOKt) at 31 December 2023

ISIN code	Issue date	Final payment date	Interest	Interest rate in %	Currency	Outstanding nominal amount
NO0013072991	22/11/2023	22/11/2028	Float	3M Nibor + 0.54%	NOK	7,000,000.00
NO0012982729	10/08/2023	10/08/2032	Fixed	4.61	NOK	1,000,000.00
NO0012959636	14/07/2023	14/07/2025	Float	3M Nibor + 0.28%	NOK	1,000,000.00
NO0012838277	14/02/2023	14/02/2035	Fixed	3.39	NOK	1,420,000.00
NO0012829763	02/02/2023	02/02/2028	Float	3M Nibor + 0.48%	NOK	19,800,000.00
NO0012732017	28/10/2022	28/10/2037	Fixed	4.0	NOK	1,420,000.00
NO0012720988	12/10/2022	12/10/2029	Fixed	4.0	NOK	6,350,000.00
NO0012513532	03/05/2022	17/03/2027	Float	3M Nibor + 0.33%	NOK	23,800,000.00
NO0012441643	15/02/2022	15/02/2030	Fixed	2.45	NOK	3,500,000.00
NO0011151771	17/11/2021	17/09/2026	Float	3M Nibor + 0.75%	NOK	7,000,000.00
NO0010981301	21/04/2021	18/03/2026	Float	3M Nibor + 1.50%	NOK	27,400,000.00
NO0010893282	16/09/2020	16/09/2025	Float	3M Nibor + 1.50%	NOK	25,000,000.00
NO0010873334	22/01/2020	19/03/2025	Float	3M Nibor + 0.26%	NOK	30,000,000.00
NO0010852650	22/05/2019	22/05/2026	Fixed	2.17	NOK	6,000,000.00
NO0010843626	26/02/2019	19/06/2024	Float	3M Nibor + 0.34%	NOK	32,387,000.00
NO0010821986	04/05/2018	04/05/2048	Fixed	2.6	NOK	300,000.00
NO0010812084	11/12/2017	17/06/2043	Fixed	3M Nibor + 0.75%	NOK	300,000.00
NO0010766827	21/06/2016	18/06/2031	Fixed	2.2	NOK	500,000.00
NO0010678766	08/05/2013	08/05/2025	Fixed	3.6	NOK	100,000.00
NO0010593064	22/12/2010	18/06/2025	Fixed	4.8	NOK	550,000.00
Total						**194,827,000**

Covered bonds issued in foreign currency at 31 December 2023

ISIN code	Issue date	Final payment date	Interest	Interest rate in %	Currency	Outstanding nominal amount
XS1451306036	19/07/2016	15/07/2031	Fixed	0.738	EUR	100,000.00
Total (in NOKt equivalent)						**1,121,200**

4 Provisions

Loan loss provisions on off-balance sheet items amounted to NOK 4.8m (NOK 8.2m). These provisions are related to commitments as described in Note 5.2 “Commitments”.

Provisions

NOKt	2023	2022
Commitments	4 818	8 211
- of which loan loss provision for commitments Stage 1	1581	2 505
- of which loan loss provision for commitments Stage 2	3 233	5 706
- of which loan loss provision for commitments Stage 3	4	0
Total	**4 818**	**8 211**

5 Off-balance sheet items

Note 5.1 Assets pledged as security for own liabilities

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.

NOKt	31 Dec 2023	31 Dec 2022
Assets pledged as security for own liabilities:		
Loans to the public	313,603,507	245,131,742
The above pledges pertain to the following liability and committment items:		
Debt securities in issue[1]	197,747,399	149,907,682

[1] Excluding fair value hedge adjustment.

Note 5.2

NOKt	31 Dec 2023	31 Dec 2022
Accepted, not disbursed loans (unutilised portion of granted limit on flex loans)	35,072,002	31,618,092
Total	**35,072,002**	**31,618,092**

[1] For information about derivatives, see Note 3.7 Derivatives and hedge accounting.

6 Employee benefits and key management personnel remuneration

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.

Note 6.1 Staff costs

Accounting policies
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.

Staff costs

NOKt	2023	2022
Salaries and remunerations[1]	26 121	22 340
Pension costs (Note 6.2)	4 542	3 477
Social security contributions	6 192	4 885
Other staff costs	1 047	468
Total	**37 902**	**31 171**

[1]Of which allocation to profit-sharing 2023 amounted to NOK 869t (NOK 663t), consisting of a new allocation of NOK 858t (NOK 644t) and an adjusment to prior years of NOK 11t (NOK -7t).

Remuneration structure
The company's remuneration structure compromise fixed remuneration and variable remuneration.

Fixed base salary should remunerate for role and position and is affected by job complexity, responsibility, performance and local market conditions.

Pension and insurance aim at ensuring an appropriate standard of living for employees after retirement as well as personal insurance coverage during employment. Pension and insurance provisions are in accordance with local laws, regulations and market practice and are either collectively agreed schemes or company-determined or a combination. The company aims to have defined contribution pension schemes.

Benefits are awarded as part of the total reward offering that is either individually agreed or based on local laws, market practice, collective bargaining agreements and company-determined practice.

The Nordea Incentive Plan (NIP) is offered to recruit, motivate and retain senior leaders and select roles in primarily in business areas where the use of variable pay is established market practice. The NIP aims to reward strong performance and efforts. The assessment of individual performance is based on a predetermined set of well-defined financial as well as non-financial goals. Individual NIP awards will not exceed the annual fixed salary. Awards from the NIP 2023 for people who are defined as material risk takers are allocated partly in cash and partly in instruments with subsequent retention. Parts of the awards for participants in the NIP who are material risk takers are subject to a four - to five-year pro rate deferral period, in certain exceptions three years, with forfeiture conditions during the deferral period.

Profit Sharing Plan (PSP) is offered Group-wide to all Nordea employees but not to employees that is eligible for any of Nordea's other formal annual variable remuneration plans. For eligible employees, the Profit Sharing Plan is offered irrespective of position and salary and aims to collectively reward employees based on achievement in relation to predetermined financial goals as well as goals relation to customer satisfaction and ESG. The Profit Sharing Plan is capped financially, and the outcome is not linked to the value of Nordea's share price. The plan includes forfeiture conditions.

Number of employees/full time positions	2023	2022
Number of employees at 31 Dec	24	23
Number of full time equivalents at 31 Dec	24.0	21.5
Gender distribution of Board members (percentage at year end)		
- Men	29%	43%
- Women	71%	57%

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 Nordea Incentive Plans (NIP).

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.

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 2023 for services provided in 2022.

Nordea Eiendomskreditt has provided mortgage loans to its employees on standard employee terms, close to ordinary customer terms. 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 specific compensation in the event of any change in their employment or office.

31 Dec 2023, NOKt	Fixed salary and fees	Variable salary	Other benefits	Pensions	Total remunerations
Executive management of Nordea Eiendomskreditt AS					
Elen M Stiksrud, CEO (acting CEO from 6.2.2023 and CEO from 9.11.2023)	1,108	520	290	211	2,129
Børre Sten Gundersen, CEO (until 9.11.2023)[1]	1,659	552	419	156	2,786
Total for the executive management	**2,767**	**1,072**	**710**	**367**	**4,915**

[1] Continued in the company and the disclosed figures are for the whole year 2023.

Board of Directors of Nordea Eiendomskreditt AS					
Gro Elisabeth Lundevik	210				210
Alex Madsen	150				150
Total for the directors of Nordea Eiendomskreditt AS	**360**	**0**	**0**	**0**	**360**
Total remuneration of executive management and elected officers of Nordea Eiendomskreditt AS	**3,127**	**1,072**	**710**	**367**	**5,275**

31 Dec 2022, NOKt	Fixed salary and fees	Variable salary	Other benefits	Pensions	Total remunerations
Executive management of Nordea Eiendomskreditt AS					
Børre Sten Gundersen, CEO	1,618	465	385	200	2,667
Total for the executive management[1]	**1,618**	**465**	**385**	**200**	**2,667**

[1] Executive management of Nordea Direct Boligkreditt AS Jan Kåre Raae, CEO 1.1.2022 - 31.10.2022, received a total remuniation of NOK 1 529t, of which pension NOK 140t, for the period before the merger with Nordea Eiendomskreditt AS.

Board of Directors of Nordea Eiendomskreditt AS					
Gro Elisabeth Lundevik	140				140
Alex Madsen	140				140
Total for the directors of Nordea Eiendomskreditt AS[2]	**280**	**0**	**0**	**0**	**280**

[2] Directors of Nordea Direct Boligkreditt AS received remuniation of: Alex Madsen, board member NOK 83t, Cathrine Kaasen Conradi, board member NOK 117t.

Total remuneration of executive management and elected officers of Nordea Eiendomskreditt AS	**1,898**	**465**	**385**	**200**	**2,947**

Note 6.2 Retirement benefit obligations

Accounting policies

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.

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 are 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.

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 affected 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 2023 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 2.423 in 2023.

NOKt	31 Dec 2023	31 Dec 2022
Defined benefit plans, net	-27,417	-24,682
Total	**-27,417**	**-24,682**

IAS 19 Pension calculations and assumptions

Assumptions[1]	2023	2022
Discount rate	3.81%	3.40%
Salary increase	3.50%	3.50%
Inflation	2.25%	2.00%
Social Security increase	3.50%	3.50%
Expected adjustments of current pensions	1.70%	1.00%

[1] The assumptions disclosed for 2023 have an impact on the liability calculation by year-end 2023, while the assumptions disclosed for 2022 are used for calculating the pension expense in 2023.

Sensitivities - Impact on Pension Benefit Obligation (PBO)	2023	2022
Discount rate - Increase 50bps	-6.8%	-7.0%
Discount rate - Decrease 50bps	7.5%	7.7%
Salary increase - Increase 50bps	0.1%	0.2%
Salary increase - Decrease 50bps	-0.1%	-0.1%
Inflation - Increase 50bps	7.6%	7.8%
Inflation - Decrease 50bps	-6.9%	-7.1%

Net retirement benefit liabilities/assets

NOKt	2023	2022
Obligations	63,983	59,231
Plan assets	36,566	35,301
Restriction to Net Defined Benefit Asset due to the Asset Ceiling	0	-751
Net liability (-)/asset (+)	**-27,417**	**-24,682**

Movements in the obligation

NOKt	2023	2022
Opening balance	**59,231**	**63,248**
Current service cost	772	517
Interest cost	1,858	1,145
Pensions paid	-1,154	-1,461
Remeasurement from changes in financial assumptions	2,801	-7,615
Remeasurement from experience adjustments	349	3,350
Closing balance before social security contribution	63,858	59,184
Change in provision for social security contribution [1]	126	47
Closing balance	**63,983**	**59,231**

[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	2023	2022
Opening balance	**35,301**	**37,241**
Interest income (calculated using the discount rate)	1,185	724
Pensions paid	-444	-784
Contributions/refunds by employer	90	15
Administration cost	-11	0
Remeasurement (actual return less interest income)	446	-1,895
Closing balance	**36,566**	**35,301**

Asset composition

The combined return on assets in 2023 was 3,4% (-6,0%). 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 12% (18%) of total assets.

Asset composition in funded schemes

	2023	2022
Equity	12%	21%
Bonds	72%	61%
Real estate	15%	16%
Other assets	1%	3%

Movements in the effect of the Asset Ceiling

NOKt	2023	2022
Opening balance	**-751**	**0**
Interest on the effect of the Asset Ceiling in Profit and Loss Account	-26	0
Change in the Effect of the Asset Ceiling in Other Comprehensive Income (OCI)	777	-751
Closing balance	**0**	**-751**

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 2023 is NOKt 4.542. The amount covers both funded and unfunded pension plans, DCP as well as AFP premium.

Recognised in the income statement, NOKt	2023	2022
Current service cost	772	517
Net interest	671	421
Social Security Contribution	317	179
Pension cost on defined benefit plans	**1,761**	**1,118**

Recognised in other comprehensive income, NOKt	2023	2022
Remeasurement from changes in financial assumptions	3,167	-4,151
Remeasurement of plan assets (actual return less interest income)	-446	1,895
Change in the Effect of the Asset Ceiling excluding Interest	-777	751
Pension cost on defined benefit plans	**1,944**	**-1,504**

The defined benefit pension plan cost for 2024 is expected to be NOKt 1.966.

Note 7 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 (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 entered into force 1 June 2022.

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 (SREP), 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 2024, 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.

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.

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

Summary of items included in own funds

NOKm	31 Dec 2023	31 Dec 2022
Equity	21,905	22,054
Proposed/actual dividend	-500	-648
Common Equity Tier 1 capital before regulatory adjustments	21,405	21,406
Deferred tax assets		
Intangible assets		
IRB provisions shortfall (-)	-114	-79
Pension assets in excess of related liabilities		
Other items, net	-6	-9
Total regulatory adjustments to Common Equity Tier 1 capital	-120	-88
Common Equity Tier 1 capital (net after deduction)	**21,285**	**21,317**
Additional Tier 1 capital before regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital		
Additional Tier 1 capital		
Tier 1 capital (net after deduction)	**21,285**	**21,317**
Tier 2 capital before regulatory adjustments	1,100	1,100
IRB provisions excess (+)	162	113
Deductions for investments in insurance companies		
Other items, net		
Total regulatory adjustments to Tier 2 capital	162	113
Tier 2 capital	1,262	1,213
Own funds (net after deduction)	**22,548**	**22,530**

Own Funds, excluding profit

NOKm	31 Dec 2023	31 Dec 2022
Common Equity Tier 1 capital, excluding profit	21,293	21,330
Total Own Funds, excluding profit	22,555	22,543

Minimum capital requirement and REA, Risk Exposure Amount

NOKm	31 Dec 2023 Minimum Capital requirement	31 Dec 2023 REA	31 Dec 2022 Minimum Capital requirement	31 Dec 2022 REA
Credit risk	**6,276**	**78,450**	**6,111**	**76,377**
- of which counterparty credit risk	9	111	10	124
IRB	5,733	71,661	5,360	66,995
- institutions	25	308	17	214
- retail	5,708	71,351	5,343	66,780
- secured by immovable property collateral	*4,946*	*61,830*	*4,691*	*58,634*
- other retail	*762*	*9,521*	*652*	*8,146*
- other	0	2	0	1
Standardised	543	6,789	751	9,382
- institutions	49	613	21	260
- retail	0	0	1	16
- secured by mortgages on immovable properties	493	6,168	726	9,069
- in default	1	8	3	37
Operational risk	**283**	**3,537**	**302**	**3,784**
Standardised	283	3,537	302	3,784
Total	**6,559**	**81,987**	**6,413**	**80,161**

Capital ratios

Percentage	31 Dec 2023	31 Dec 2022
Common Equity Tier 1 capital ratio	26.0	26.6
Tier 1 capital ratio	26.0	26.6
Total capital ratio	27.5	28.1

Leverage ratio

Common Equity Tier 1 capital ratio	21,285.2	21,317.0
Tier 1 capital ratio	364,888.8	344,994.3
Total capital ratio	5.8	6.2

8 Other disclosures

Note 8.1 Additional disclosures on the statement of changes in equity

Accounting policies

Share premium

The share premium 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.

Net profit

Net profit before Other comprehensive income in percent of average total assets was 0.15% in 2023 (0.20% in 2022).

Note 8.2 Maturity analysis for assets and liabilities

Contractual undiscounted cash flows

31 Dec 2023, NOKm	< 1 month	1-3 month	3-12 month	1-2 years	2-5 years	5-10 years	>10 years	Total
Loans to the public	2,758	4,496	20,608	26,572	83,081	167,182	273,023	577,721
Loans to credit institutions	1,962	505	0	0	0	0	0	2,467
Interest-bearing securities	123	101	123	2,500	9,272	0	0	12,120
Total non-derivative financial assets	**4,844**	**5,101**	**20,731**	**29,073**	**92,353**	**167,182**	**273,023**	**592,308**
Deposits by credit institutions	572	1,906	31,192	61,128	41,473	0	0	136,271
Debt securities in issue	11	2,534	39,365	63,729	98,430	13,735	3,947	221,751
- of which covered bonds	11	2,534	39,365	63,729	98,430	13,735	3,947	221,751
Subordinated liabilities	0	1,121	0	0	0	0	0	1,121
Total non-derivative financial liabilities	**583**	**5,561**	**70,557**	**124,857**	**139,903**	**13,735**	**3,947**	**359,143**
Derivatives, cash inflows	0	404	1,076	931	1,715	2,377	505	7,008
Derivatives, cash outflows	336	213	1,514	1,491	2,556	2,713	762	9,586
Derivatives, net cash flows	**-336**	**191**	**-437**	**-561**	**-841**	**-336**	**-258**	**-2,579**
Credit commitments								35,072

31 Dec 2022, NOKm	< 1 month	1-3 month	3-12 month	1-2 years	2-5 years	5-10 years	>10 years	Total
Loans to the public	2,181	4,328	16,793	21,396	69,889	140,974	230,237	485,798
Loans to credit institutions	731	0	0	0	0	0	0	731
Interest-bearing securities	430	26	293	499	4,731	0	0	5,980
Total non-derivative financial assets	**3,343**	**4,354**	**17,086**	**21,895**	**74,619**	**140,974**	**230,237**	**492,509**
Deposits by credit institutions	111	70	42,058	60,432	62,049	0	0	164,720
Debt securities in issue	0	1,357	23,864	43,061	84,560	8,938	1,277	163,058
- of which covered bonds	0	1,357	23,864	43,061	84,560	8,938	1,277	163,058
Subordinated liabilities	0	14	41	1,114	0	0	0	1,169
Other non-derivative financial liabilities and equity	5	0	0	0	0	0	0	5
Total non-derivative financial liabilities	**115**	**1,441**	**65,964**	**104,606**	**146,609**	**8,938**	**1,277**	**328,951**
Derivatives, cash inflows	3	374	4,555	954	1,255	1,774	277	9,193
Derivatives, cash outflows	199	268	4,536	1,228	1,527	1,721	368	9,847
Derivatives, net cash flows	**-196**	**106**	**20**	**-274**	**-272**	**54**	**-91**	**-654**
Credit commitments								31,618

Note 8.3 Related-party transactions

Accounting policies

Nordea Eiendomskreditt defines related parties as:
- shareholders with significant influence
- other Nordea Group companies
- other related parties
- 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 2023 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 6.1 “Staff costs”.

From May 2019 mortgage loans are originated directly from the company's own balance sheet, and there has been no transfers of loans from the parent bank Nordea Bank Abp, filial i Norge in 2023.

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 in conformity with OECD guidelines on transfer pricing.

NOKt	Nordea Group companies		Other related parties	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Profit and loss account				
Interest income on loans with financial institutions	63,536	44,839		
Other interest income	28,145	15,115		
Net gains/losses on items at fair value	122,016	211,821		
Commisson income	1,282	1,282		
Other operating income	551	3,359		
Total income	**215,530**	**276,416**	**0**	**0**
Interest expenses on liabilities to financial institutions	6,408,714	3,426,966		
Interest and related expense on securities issued incl. hedging	1,341,981	310,068		
Other interest expenses	122,521	152,758		
Net gains/(losses) on items at fair value	13,478	868,060		
Interest and related expense on subordinated loan capital	61,631	36,518		
Commission and fee expense for banking services	18,921	24,506	8,149	7,336
Other operating expenses	1,130,518	1,326,241	6,257	5,481
Total expenses	**9,097,764**	**6,145,117**	**14,406**	**12,817**
Balance sheet				
Loans and receivables to credit institutions	2,462,506	731,472		
Derivatives	185,622	418,937		
Other assets	0	0	1,200	
Accrued income and prepaid expenses	46,927	16,948		
Total assets	**2,695,055**	**1,167,357**	**1,200**	**0**
Deposits by credit institutions	125,845,296	155,913,879		
Issued bonds	36,562,775	20,342,413		
Derivatives	661,303	757,843		
Accrued expenses and prepaid income	218,266	227,671		
Subordinated loan capital	1,104,751	1,103,819		
Share capital and share premium	11,753,647	11,753,647		
Total libilities and equity	**176,146,038**	**190,099,272**	**0**	**0**
Off balance sheet items				
Interest rate swaps (nominal value)	45,282,000	57,584,000		

Note 9. Risks and uncertainties

Contents

1. Risk governance
2. Credit risk
3. ESG (Environmental, Social and Governance) related risk
4. Counterparty credit risk
5. Market risk
6. Operational risk
7. Compliance risk
8. Liquidity risk

1. Risk governance

Maintaining risk awareness in the organization is an integral part of 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.

Currently, there are significant risks related to the macroeconomic environment due to geopolitical turbulence. The consequential risks include impacts from possibly increasing energy prices, interest rates staying higher for longer and elevated inflationary pressures. Furthermore, geopolitical instability can cause a risk that investment product demand remains subdued.

Repeated negative supply shocks could lead to continued high inflation simultaneously with a sharp contraction in output, resulting in recession. A sharp upward shift in business and consumer inflationary expectations would result in a steepening yield curve.

In order to continuously monitor potential adverse outcomes, Nordea has executed a number of internal stress tests with a focus on inflation and geopolitical developments. Depending on government and central bank responses, a stagflation scenario could test the vulnerability of Nordea to an increase in unemployment combined with a potential decline in commercial and residential real estate prices. Nordea could see significant fair value adjustments due to higher interest rates and increased covered bond spreads while net interest income (NII) could be negatively affected by an inverted yield curve and higher funding spreads. In the internal stress tests, Nordea Eiendomskreditt's capital and liquidity situation has shown resilience. Nordea Eiendomskreditt has also enhanced the regular monitoring of credit risk developments.

1.1 Internal Control Framework

Nordea Eiendomskreditt's Board has adopted Nordea's Group Board Directive on Internal Governance which describes the Internal Control Framework.

The Internal Control Framework ensures 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 internal and external) and compliance with applicable laws, regulations, standards, 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 aims to create the necessary fundamentals for the entire organisation to contribute to the effectiveness and high quality of internal controls through, for instance, clear definitions, assignment of roles and responsibilities and common tools and procedures.

1.2 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 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 established subsidiary Board Risk Committee (BRIC) in Nordea Eiendomskreditt.

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

NE Board has the following overarching risk management responsibilities:

- Decide 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.
- 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 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 capital, credit, market, liquidity, model and operational risk, as well as conduct and compliance risk and related frameworks and processes.

1.4 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).

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

1.6 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.

1.7 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 BRIC and NE Board.

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. Reporting from GC is presented directly to NE management, NE BRIC 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, NE BRIC and NE Board.

The Risk Identification and Materiality Assessment Process starts with identifying potential risks to which Nordea Group 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 are categorized 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.

1.8 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 -capacity. 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 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. 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. Model risk is defined as the risk of adverse effects on capital adequacy, financial loss, poor business and strategic decision-making and damage to Nordea Eiendomskreditt's and Nordea's reputation from the use of models.

1.9 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 and liquidity 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 the lower risk limits in 1st LoD which are established and approved at lower decision-making levels, including NE management. Risk limits are set in alignment with Norwegian regulatory requirements and the risk capacity 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, NE BRIC, NE

Board and other parties as specified in internal escalation routines. In case of a breach of the risk appetite limit, NE CRO reports at least monthly 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.

1.10 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.

1.11 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, in accordance with the Capital Requirements Regulation (CRR). The report is available at www.nordea.com.

2. Credit risk
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 (Standard Operating Procedures) 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 intragroup agreements.

Nordea Eiendomskreditt's 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.

2.1 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 58,3% (56.0%). The risk of material losses in the portfolio is therefore considered to be limited.

2.2 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.

Maximum exposure to credit risk

		31 Dec 2023	
NOKm	Note	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss
Loans to credit institutions		2 463	
Interest-bearing securities	3.6		10 586
Loans to the public incl accrued interest	3.5	334 308	
Derivatives			26
Total loans and receivables (on-balance exposure)		**336 770**	**10 612**
Off balance credit exposure:			
- of which lending to the public	5.2	35 072	
Off balance credit exposure		**35 072**	**0**
Total		**371 842**	**10 612**

		31 Dec 2022	
NOKm	Note	Amortised cost and Fair value through other comprehensive income	Financial assets at fair value through profit or loss
Loans to credit institutions		731	
Interest-bearing securities	3.6		5 436
Loans to the public incl accrued interest	3.5	323 252	
Derivatives			203
Total loans and receivables (on-balance exposure)		**323 983**	**5 639**
Off balance credit exposure:			
- of which lending to the public	5.2	31 618	
Off balance credit exposure		**31 618**	**0**
Total		**355 602**	**5 639**

2.2 Loan-to-value

The loan-to-value (LTV) ratio is considered a useful measure to evaluate quality of collateral, i.e. the credit extended divided by the market value of the collateral. In the table, retail mortgage exposures are distributed by LTV buckets based on the LTV ratio.

Loan-to-value

	31 Dec 2023		31 Dec 2022	
Retail mortgage exposure	NOKbn	in %	NOKm	in %
<50%	239	80	217	81
50-70%	38	13	33	12
70-80%	9	3	7	3
80-90%	4	1	4	1
>90%	8	3	6	2
Total	**298**	**100**	**266**	**100**

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

2.3 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. Assets are tested for impairment collectively. Impairment testing 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.

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 recognized 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.

2.4 Sensitivities

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 Nordea Eiendomskreditt's household lending portfolio. It includes both the impact of the higher risk for all exposures and the impact of transferring exposures that reach the trigger, from stage 1 to stage 2. 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 2023		31 Dec 2022	
NOKm	Recognised provisions	Provision if one notch downgrade	Recognised provisions	Provision if one notch downgrade
Retail portfolios	361	521	311	417

2.5 Forward-looking information

Forward looking information is used both for assessing significant increases in credit risk and in the calculation of expected credit losses. Nordea Eiendomskreditt uses three macroeconomic scenarios, a baseline scenario, a favourable scenario and an adverse scenario. For the fourth quarter of 2023 the scenarios were weighted into the final expected credit losses (ECL) as follows: baseline 50%, adverse 40% and favourable 10% (baseline 50%, adverse 40% and favourable 10% at the end of 2022). The weight of the adverse scenario was kept at an elevated level, reflecting continued uncertainty regarding the macroeconomic outlook.

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

The macroeconomic scenarios reflect Nordea's view of how the Nordic economies might develop in the light of the conflict in the Middle East and the war in Ukraine. They take into consideration the possibility of continued high inflation, reinforced by a renewed surge in energy prices, and the potential impact of high interest rates on financial markets and economic activity. When developing the scenarios and determining the relative weighting between them, Nordea took into account projections made by Nordic central banks, Nordea Research and the European Central Bank.

The baseline scenario foresees soft landings in the Nordic economies and slightly higher unemployment in the coming years as the pass-through of higher rates and elevated inflation continues to weigh on economic activity. While growth in 2024 remains moderate in Denmark and Norway, GDP stagnates in Finland and Sweden. Core inflation is expected to remain elevated. House prices have stabilised after the downward adjustment in 2023. In 2024 prices are expected to rise slowly before picking up further in 2025 and 2026. The risks around the baseline forecast are tilted to the downside.

Nordea's two alternative macroeconomic scenarios cover a range of plausible risk factors which may cause growth to deviate from the baseline scenario. Persistent and high inflation, reinforced by higher energy prices, may lead central banks to adopt a higher-for-longer strategy, triggering a deep recession due to falling private consumption and investment. In addition, house prices may see an even larger decline due to high interest rates, a squeeze in household purchasing power. A stabilisation of energy prices at a lower level may on the other hand lead to a milder setback over the winter and a stronger recovery going forward.

At the end of the fourth quarter of 2023 adjustments to model-based allowances/provisions (management judgements) amounted to NOK 92m (NOK 101m at the end of the third quarter 2023 and NOK 102m at the end of 2022). The management judgements cover expected credit losses not yet adequately captured by the IFRS 9 modelled outcome. The cyclical management judgement allowance amounted to NOK 88m at the end of the fourth quarter of 2023 (NOK 97m at the end of the third quarter of 2023 and NOK 95m at the end of 2022) and the reserve covering issues identified in the IFRS 9 model to be later covered in model updates (structural reserve) amounted to NOK 4m (NOK 4m at the end of the third quarter of 2023 and NOK 7m at the end of 2022).

Scenarios

31 Dec 2023	2024	2025	2026	Probability weight
Favourable scenario				10%
GDP growth, %	2.4	1.1	0.8	
Unemployment, %	3.1	3.2	3.4	
Change in household consumption, %	1.9	2.4	2.7	
Change in house prices, %	1.2	2.9	3.4	
Baseline scenario				50%
GDP growth, %	0.4	1.0	1.1	
Unemployment, %	3.6	3.8	3.8	
Change in household consumption, %	0.1	1.9	2.5	
Change in house prices, %	0.8	2.2	2.8	
Adverse scenario				40%
GDP growth, %	-1.7	0.2	0.4	
Unemployment, %	4.4	4.8	4.9	
Change in household consumption, %	-1.2	0.8	1.2	
Change in house prices, %	-6.7	-1.5	2.0	

31 Dec 2022	2023	2024	2025	Probability weight
Favourable scenario				10%
GDP growth, %	1.6	1.2	1.0	
Unemployment, %	3.1	3.3	3.2	
Change in household consumption, %	-0.4	0.6	3.0	
Change in house prices, %	-1.8	1.9	4.7	
Baseline scenario				50%
GDP growth, %	0.8	0.8	0.3	
Unemployment, %	3.3	3.6	3.6	
Change in household consumption, %	-1.1	0.3	1.9	
Change in house prices, %	-2.4	1.3	4.1	
Adverse scenario				40%
GDP growth, %	-1.5	0.3	0.4	
Unemployment, %	4.2	4.4	4.4	
Change in household consumption, %	-2.6	-0.9	1.0	
Change in house prices, %	-7.2	-3.0	1.3	

2.6 Credit portfolio

Including on- and off -balance sheet exposures and exposures related to securities, the total credit risk exposure at year end was NOK 382.5 bn (NOK 361.2bn 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 0.0bn at year end (NOK 0.2bn).

Nordea Eiendomskreditt's total lending to the public increased to NOK 334bn at the end of 2023 (NOK 323bn). 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 369.4bn (NOK 354.9bn). Lending to credit institutions amounted to NOK 2.5bn at the end of the year (NOK 0.7bn), 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 10.6bn at the end of 2023 (NOK 5.4bn).

2.7 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 Q4-2023. 14,2% of the number of customers migrated downwards while 12,2%% migrated upwards. The migration is mainly seen within the best risk classes.

Information on scoring distribution in the lending portfolio is shown in Note 3.5 “Loans and impairment”.

2.8 Impaired loans (Stage 3)

Impaired loans gross in Nordea Eiendomskreditt increased during the year from NOK 609m in 2022 to NOK 1 033m in 2023 and corresponded to 31bps (19bps) of total loans. 63% of impaired loans gross are servicing loans and 37% are non-servicing loans. Impaired loans net, after allowances for Stage 3 loans, amounted to NOK 871m (NOK 494m), corresponding to 26bps (15bps) of total loans. Allowances for Stage 3 loans amount to NOK 162m (NOK 115.2m). Allowances for Stages 1 and 2 amounted to NOK 203m (NOK 195.3m). The ratio of allowances in relation to impaired loans is 15,68% (9%) and the allowance ratio for loans in Stages 1 and 2 is 0,06% (0,06%) of total loans in Stages 1 and 2.

The volume of past due loans to household customers (excluding impaired loans) was NOK 4 667m at the end of 2023 (NOK 2 416m). The majority of the volume is past due between 6 and 30 days, but there are also corresponding increases in all other periods. The development is closely monitored related to potential negative impact of interest raises and high inflation. Nordea Eiendomskreditt has not taken over any properties for protection of claims due to default.

Loan losses amounted to NOK 47.1 in 2023 (NOK 106.4m). This corresponds to a loan loss ratio of 1.4 basis points (3.4 basis points).

2.9 Past due loans

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

Past due loans excluding impaired loans

NOKm	31 Dec 2023	31 Dec 2022
6-30 days	2 618	1 831
31-60 days	499	383
61-90 days	186	118
>90 days	147	83
Total	**3 450**	**2 416**
Past due not impaired loans divided by loans to the public after allowances	1,0 %	0,7 %

The majority of the volume is past due between 6 and 30 days, but there are also corresponding increases in all other periods. The development is closely monitored related to potential negative impact of interest raises and high inflation.

3. 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.

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

Further information about how the Nordea Group works with Sustainability is available in Nordea's Annul Report published at https://www.nordea.com/en/investors/group-annual-reports/. The report covers the Nordea Group and its subsidiaries.

4. 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. Nordea Eiendomskreditt enters into derivative contracts in order to hedge positions that arise through lending and funding activities. The exposure at the end of 2023 for Nordea Eiendomskreditt was NOK 111m (NOK 124m). 100% of the exposure and 100% of the current exposure net was towards financial institutions. Nordea Eiendomskreditt uses only counterparties in the Nordea group in derivative transactions. For information about financial instruments subject to master netting agreement, see Note 3.4 “Financial instruments set off on balance or subject to netting agreements”.

5. Market risk

Market risk is the risk of loss on Nordea Eiendomskreditt's positions in the 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 second line of defence ensures that the risk appetite is appropriately translated through relevant committees into specific risk appetite limits for Group Treasury. Group Treasury is responsible for managing the market risk according to intra group outsourcing agreement.

As part of the overall Risk Appetite Framework (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.

5.1 Non-traded market risk
In Nordea market risk in the banking book is classified as non-traded market risk. In Nordea Eiendomskreditt it principally arises from the core banking business, related hedges and regulatory or other external requirements (e.g. liquid asset buffer). Group Treasury is responsible for the 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 Group Treasury, the 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 and customer behaviour. The market risks are managed centrally by Group Treasury and include gap risk, basis risks, credit spread risk and behavioural risk and floor option risk embedded in issued and purchased bonds (not relevant at current interest levels though).

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 Group 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.

5.2 Measurement of market risk
IRRBB Economic value (EV) of equity risk measurement considers the change in EV 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. Nordea's IRRBB EV model assumes a run-off balance sheet and includes behavioural modelling for pre-payments. Changes in the EV of the equity of the banking book are measured and limited against 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 IRRBB earnings risk metric measures the change in net interest income relative to a base scenario, creating a Net Interest Income (NII) value over a one-year horizon. The model uses a constant balance sheet assumption, implied forward rates and behavioural modelling for pre-payments. IRRBB earnings risk is measured and limited against a +/-200bp shock in line with regulatory guidance for NII measurement.

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.

5.3 Market risk analysis
Net Interest Income (NII) / Economic Value (EV)
At the end of the year, the loss for NII was NOK 581.5m for the 200 bps down scenario (NOK 590.4m). The most severe impact from the Basel scenarios on EV was NOK 87.5m loss at end of year 2023 (NOK 168.4m).

6. 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 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.

Nordea supports a hybrid working model and preventive measures focusing on e.g. awareness communications and training activities, as well as preventive and compensating controls have been put in place to mitigate operational risk related to remote working.
The RAS for operational risk is expressed in terms of:
1) residual risk level
2) total loss amount from incidents and management of Incidents.

6.1 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.

6.2 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.

6.3 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 processes, products, services, or IT systems. The CRMA includes Quality and Risk Analysis.

6.4 Issue Management

Issues are defined as deficiencies in the control environment, i.e. defects and/or quality matters within the internal control environment for managing risk. When such deficiencies are discovered, they must be reported as issues. The Issue Management Framework consists of multiple processes across all three lines of defence identified in different risk management processes, and they together fall under the purpose of issues and action management.

6.5 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.

6.6 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.

6.7 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.

6.8 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.

6.9 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.

6.10 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.

6.11 Cyber security

Introducing new technologies, exploring new ways of doing business and connecting with customers widen bank's attack surface. At the same time, entities that pose cyber threats are becoming more organised, resourceful and experienced. Nordea focuses not only on maintaining effective basic information security controls but also on enhancing its cyber defence with new tools and functions for security, detection and response. Nordea develops innovative security practices to meet new business demands, such as robust mobile applications and proactive customer support for fraud detection and prevention.

6.12 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.

6.13 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.

6.14 Minimum own funds requirement for operational risk

Nordea Eiendomskreditt's own funds requirements for operational risk are calculated according to the standardised 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.

7. Compliance risk

Nordea defines compliance risk as the risk of failure to comply with applicable regulations and related internal rules. Management of compliance risk is governed by Nordea's Compliance Risk Appetite Statement which also sets out the requirements for the mitigation of compliance risk. Employees throughout Nordea are accountable for the compliance risks related to their mandate and for managing these risks in accordance with the Compliance Risk Management Framework. 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 Risk & Validation, Group Financial Risk Management & Control, Group Operational Risk, Risk Models, Chief Security Office, Enterprise-wide Risk Management and Recovery & Resolution Planning, CRO Office and Country CROs.

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 on annual compliance plan 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.

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).

7.1 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. 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.

7.2 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.

7.3 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, considerableimprovements have been implemented to reduce financial crime risks through significant investment in technology, capabilities and more sophisticated assessment techniques.

8. Liquidity risk

8.1 Liquidity management

During 2023, 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 Eiendomskreditt maintained a strong liquidity position, and the situation with volatility in global markets driven by geopolitical and macroeconomic uncertainty and tightening monetary policy has not affected the liquidity management. Throughout 2023, Nordea Eiendomskreditt remained compliant with the requirement for Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

8.2 Liquidity risk definition and identification

Liquidity risk is the risk that Nordea Eiendomskreditt can only meet its liquidity commitments at an unsustainably high price or, ultimately, is unable to meet its obligations as they come due.

Nordea Eiendomskreditt is exposed to liquidity risk in its lending, investment, funding, off-balance sheet exposures and other activities which could result in negative cash flow mismatches and an inability to liquidate assets or obtain adequate funding. Nordea Eiendomskreditt's liquidity management is an integral part of the Nordea Group's liquidity risk management.

8.3 Management principles and control

Liquidity risk in the Nordea Group is managed across three lines of defence:

- The first line of defence consists of Group Treasury and the business areas (Nordea Eiendomskreditt included). Group 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 Group Treasury have entered into an intra-group agreement for the purpose of liquidity risk management.
- The second line of defence, which includes Nordea Eiendomskreditt CRO and units within the Nordea's Group Risk (GR) acting in accordance with intra-group agreement, are responsible for providing independent oversight of, and challenge to the first line of defence.
- The third line of defence includes Group Internal Audit, which is responsible for providing independent oversight of the first and second lines of defence.

Nordea Eiendomskreditt's Board of Directors defines the liquidity risk appetite by setting limits for applied liquidity risk metrics. The most central metrics are the regulatory Liquidity Coverage Ratio (LCR) for measurement of short-term funding risk, the Net Stable Funding Ratio (NSFR) for structural liquidity risk and the internal Liquidity Stress Horizon. The latter sets 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 the defined risk appetite.

8.4 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.

The objective of liquidity risk management is to ensure that Nordea Eiendomskreditt can always meet its cash flow obligations, including on an intraday basis, across market cycles and during periods of stress. Nordea Eiendomskreditt strives to diversify its sources of funding to a 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. Confidence 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 to capture relevant risk drivers. Nordea Eiendomskreditt is covered by the Nordea Group's business contingency plans for liquidity crisis management.

8.5 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. Liquidity risk is limited by the Board of Directors via the Liquidity Stress Coverage and Liquidity Stress Horizon metrics stipulating that the liquidity buffer needs to be sufficient to cover peak cumulative stressed outflows experienced over the first 90 days of a combined stress event, whereby Nordea Eiendomskreditt is subject to a market-wide stress similar to what many banks experienced in 2007-08, as well as idiosyncratic stress corresponding to a three-notch credit rating downgrade.

The liquidity metrics mentioned above forms the basis for Nordea Eiendomskreditt's liquidity risk appetite, which is reviewed and approved by the NE Board at least annually.

8.6 Liquidity risk analysis
The Liquidity Coverage Ratio (LCR) according to the LCR Delegated Act was 1780% (1274%) 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 210% (152%) and 172 days (172 days) respectively. Net Stable Funding Ratio (NSFR) was at the end of the year 115.1% (113.1%).

Auditor's report

To the General Meeting of Nordea Eiendomskreditt AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nordea Eiendomskreditt AS (the Company), which comprise the balance sheet as at 31 December 2023, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information.

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 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the 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 relevant laws and regulations in Norway 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 9 years from the election by the general meeting of the shareholders on 6 June 2015 for the accounting year 2015.

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 Bank's business activities are largely unchanged compared to last year. Impairment of loans to the public has the same characteristics as last year and continues to be an area of focus

Key Audit Matters	How our audit addressed the Key Audit Matter
Impairment of loans to the public	
Loans to the public represent 334 307 675 NOK thousand which is more than 95% of total assets as at 31 December 2023. Total expected credit losses on loans to customers amounts to 360 601 NOK thousand. The expected credit losses are estimated using the model-based framework. No impairment has been recognised based on	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.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

individual assessments of loans. The bank has only immaterial actual losses during 2023.

Management applies judgment in determining the appropriate impairment loss to be recognised. Specifically, judgment is applied to determine the expected credit losses (ECL) that 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, Note 3.5 and Note 9 where management explain their use of judgment.

For ECL models, where we also involved our modeling 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, and
- 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 note disclosures related to impairment of loans and found that they satisfied accounting requirements.

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 accompanying 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 nor the other information accompanying 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 accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying 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 accompanying 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 or the other information accompanying 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 statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statement on Corporate Governance.

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 IFRS Accounting 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.

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Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Nordea Eiendomskreditt AS, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name nek-2023-12-31-en.xhtml, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with ESEF. We conduct our work in compliance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Bergen, 5 March 2024
PricewaterhouseCoopers AS

Jon Haugervåg
State Authorised Public Accountant

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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 2023, including comparative figures for 2022 (the "2023 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 2023 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 2023 and as of 31 December 2022.

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, 5 March 2024

Randi Marjamaa Chair	Gro Elisabeth Lundevik Vice Chair	Ola Littorin Board member
Asbjørn Rødal Board member	Tina Sandvik Board member	Lene Steinum Board member
Anne Sofie Knoph Employee representative	Elen M. Stiksrud Chief Executive Officer	

Board of Directors and Auditor

Board of Directors

Chair

Randi Marjamaa
Nordea Bank Abp, filial i Norge
Head of Personal Banking Norway, Nordea
Country Senior Executive, Nordea Norway
Board member since 2023

Members

Gro Elisabeth Lundevik
University of Agder
Senior Advisor, Economic and property division
Vice Chair, Board member since 2019

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

Tina Sandvik
Nordea Bank Abp, filial i Sverige
Head of Products and Development, Personal Banking, Nordea
Board member since 2023

Lene Steinum
Nordea Bank Abp, filial i Norge
Head of Cross Technology Capabilities, Technology Nordea
Board member since 2022

Asbjørn Rødal
Independent consultant and non-executive board member with 25 years' experience as partner in global audit firm
Board member since 2023

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

Auditor

PricewaterhouseCoopers AS
Jon Haugervåg
Authorised Public Accountant

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