



Interim Report 2nd quarter 2021

Nordea Eiendoms kreditt AS

(unaudited)



Nordea Eiendoms kreditt 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](https://www.nordea.com).

Key financial figures

Summary of the income statement (NOKm)

	Jan-Jun 2021	Jan-Jun 2020	Year 2020
Net interest income	1 426	962	2 399
Net result from items at fair value	-112	-22	-34
Other operating income	39	41	74
Total operating income	1 353	981	2 439
Staff costs	12	11	23
Other expenses	842	423	894
Total operating expenses	854	435	917
Loan losses (negative figures are reversals)	19	109	98
Operating profit	479	438	1 424
Income tax expense	120	109	356
Net profit for the period	360	328	1 068

Summary of the balance sheet (NOKm)

	30 Jun 2021	30 Jun 2020	31 Dec 2020
Loans to the public, gross	277 475	259 586	266 240
Allowance for loan losses	-195	-205	-190
Other assets	7 298	7 087	7 143
Debt securities in issue	93 553	135 987	142 744
Other liabilities	171 437	111 467	110 690
Equity	19 588	19 014	19 759
Total assets	284 578	266 468	273 192
Average total assets	277 645	259 155	264 935

Ratios and key figures

	30 Jun 2021	30 Jun 2020	31 Dec 2020
Basic/diluted Earnings per share (EPS), annualised basis, NOK	46,9	42,8	69,6
Equity per share ¹ , NOK	1 277,2	1 239,8	1 288,4
Shares outstanding ¹ , million	15,3	15,3	15,3
Post-tax return on average equity	3,6 %	3,4 %	5,5 %
Cost/income ratio	63,1 %	44,3 %	37,6 %
Loan loss ratio, annualised, basis points	1,4	8,6	3,8
Common Equity Tier 1 capital ratio	28,9 %	29,8 %	30,6 %
Tier 1 capital ratio ^{1,2}	28,9 %	29,8 %	30,6 %
Total capital ratio ^{1,2}	32,6 %	33,5 %	34,4 %
Own funds, NOKm ^{1,2}	21 495	20 850	21 489
Risk Exposure Amount ¹ , NOKm	65 946	62 161	62 546
Number of employees (Full-time equivalents) ¹	17,5	18,5	17,5

¹ At the end of the period.

² Excluding the year to date profit for interim figures.

Board of Directors' Report

Introduction

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

Nordea Eiendoms kreditt is a wholly owned subsidiary of Nordea Bank Abp, located in Oslo. The company's business objective is to grant and acquire residential mortgage loans including holiday homes, and to finance its lending activities mainly by issuing of covered bonds. The loan portfolio amounts to NOK 277bn at 30 June 2021. The mortgage loans are originated directly from own balance sheet or bought from the parent bank. Nordea Eiendoms kreditt is part of the Personal Banking Business Area in Nordea.

Covid-19 pandemic – macro economy, operational risk measures and further disclosures

Mainland economic activity increased markedly during the second quarter along with reopening of society, and the unemployment figures fell to 3.0% in June. House prices continued to rise, but more moderate, and were 10.1% higher in June 2021 than in the same month last year, supported by historically low interest rates. Norges Bank has stated that the first rate hike will be in September 2021.

Covid-19 infection rates continued to fluctuate in the first half of 2021, and the situation was monitored throughout the period by Nordea's Global Crisis Management team.

Information on the financial and operational impacts of the Covid-19 pandemic on Nordea Eiendoms kreditt, as well as the measures taken to address these impacts, have been provided in the section "Net loan losses", in Note 1 "Accounting policies", in Note 5 "Loans and impairment" and in Note 13 "Risks and uncertainties".

Nordea Direct Boligkreditt merger

With reference to previous updates regarding the merger between Nordea Direct Boligkreditt AS and Nordea Eiendoms kreditt AS, the companies are reassessing the manner in which Nordea Direct Boligkreditt AS will be integrated into the Nordea Group and its covered bonds transferred to Nordea Eiendoms kreditt AS. The target completion for such transactions is yet to be determined, and the process is subject to regulatory approval.

Income Statement

Profit before loan losses

Operating profit in the first half year of 2021 was NOK 479 million (NOK 438 million). The profit reported is equivalent to a post-tax return on average equity 3.6% (3.4%) on an annualised basis.

Net interest income in the first half year showed an increase of 48% compared to the same period last year and amounted to NOK 1,426 million (NOK 962 million). Both lending margins and loan volume have been higher in the first half year of 2021 compared to the same period last year.

Total operating expenses in the first half year amounted to NOK 854 million (NOK 435 million), whereof NOK 12 million (NOK 11 million) is staff related. The number of employees was 18 (19) at the end of June 2021. 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, reporting and IT related services.

Nordea Group and Nordea Eiendoms kreditt are in the process of updating the transfer pricing method applied to internal sales and distribution services procured from Nordea Bank, Norwegian Branch in line with the development of OECD guidelines on transfer pricing and local tax practice. The updated methodology is expected to entail significant pricing adjustments of sales and distribution fees, resulting in increased expenses. Based on expected outcome of the Board decision on updated methodology and fee to be implemented for 2021, a provision for first half 2021 has been decided in Q2. The cost/income ratio was 63.1% in the first half year of 2021 (44.3%).

Net loan losses

Loan losses and provisions recognised in the accounts for the first half year of 2021 was NOK 19,1 million, mainly related to Stage 3 model based provisions (NOK 108,8 million). Loan loss allowances, including management judgement allowances, have increased from NOK 190,3 million at the beginning of the year, to NOK 195,2 million at 30 June 2021. Management judgement provisions of NOK 121 million booked in the second quarter of 2020 have been reduced to NOK 27 million at end of the second quarter 2021, as respective losses are covered by model calculations and to reflect reduced provisioning needs.

Realised loan losses were NOK 16,9 million of which NOK 13,7 million were already provided for. The underlying net loan losses in Nordea Eiendoms kreditt are low, reflecting a strong underlying credit portfolio with a slightly positive rating migration (upgrades exceeding downgrades). No deterioration in credit quality or new defaults have been observed during the first half year of 2021. Share of volume with instalment-free period has been stable at 9.7% the last quarter, which is below the level prior to Covid-19. See note 4 and note 5 for further information about loan losses and impairment.

Nordea Eiendoms kreditt will continue to take appropriate actions to release management judgements as respective losses are realised or captured by Nordea's models, whilst maintaining in place an adequate total collective allowance for loan losses consisting of both model calculations and management judgements.

Capital position and risk exposure amount

Nordea Eiendoms kreditt's Common Equity Tier 1 (CET1) capital ratio excluding profit was 28.9%, at the end of the second quarter, a decrease of 1.2 percentage points from the end of the previous quarter. The decrease was primarily due to increased REA for the loan portfolio. The Total Capital ratio excluding profit also decreased by 1.2 percentage points to 32.6%.

Risk Exposure Amount (REA) was NOK 65,945 million, an increase of NOK 2,436 million, compared to the previous quarter. The main

driver for the increase in REA was the IRB retail portfolio, primarily stemming from increased volumes of residential mortgage loans.

Own Funds excluding profit was NOK 21,495 million at the end of the second quarter. The Tier 1 capital and the Common Equity Tier 1 capital were NOK 19,084 million (no additional Tier 1 capital).

Regulatory development

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

On 17 June the Ministry of Finance decided, in line with the advice from the Norwegian Central Bank, to increase the countercyclical capital buffer to 1.5%, from the current 1%, to be applicable from 30 June 2022. The Norwegian Central Bank expects the buffer to return to 2.5% as it was prior to Covid-19 and further advise on increasing the buffer in the course of the year is therefore expected.

The revised EU capital framework through CRR2, CRD5, BRRD2 in force in the EU, is not yet treated by the EEA Joint Committee. However, on 11 June the Norwegian Parliament gave a pre-approval to incorporate the CRR2 (EU) 2019/876 and amendment 2020/873 to the EEA agreement, which entails increased harmonization of capital requirements between Norway and the EU countries.

Funding and liquidity

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

During the first half year of 2021 Nordea Eiendoms kreditt issued covered bonds amounting to NOK 7.5 billion in the Norwegian market under its NOK 150bn domestic covered bond programme. In the same period buybacks and matured bonds amounted to NOK 56.7 billion, whereof NOK 36bn issued in April 2020 and retained in the parent bank. As of 30 June 2021, Nordea Eiendoms kreditt had outstanding covered bonds totalling NOK 87.9 billion in the Norwegian market, GBP 0.3 billion in the British market and EUR 0.1 billion in the European market. Nordea Eiendoms kreditt also had subordinated debt outstanding to the amount of NOK 2.3 billion.

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

In addition to the long-term funding, Nordea Eiendoms kreditt also raised unsecured funding from the parent bank. At the end of the second quarter of 2021 such borrowings amounted to NOK 167,3 billion.

The nominal value of the liquidity buffer is NOK 5,1 billion and the Liquidity Coverage Ratio (LCR) according to the EBA Delegated Act was 179% at the end of the second quarter.

Rating

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

Lending

The gross book value of loans to the public amounted to NOK 277 billion as of 30 June 2021 (260 billion), bought from Nordea Bank Abp, filial i Norge or issued directly from Nordea Eiendoms kreditt's own balance sheet. NOK 206 billion of the loan portfolio is included in the collateral pool for the purposes of the calculation of the asset coverage requirement under the covered bond legislation. This represents surplus collateral of 120.9% in relation to gross issued covered bonds.

Total assets amounted to NOK 285 billion at 30 June 2021 (266 billion).

Interest rate and currency hedging

The company uses interest rate and currency swaps to hedge interest rate and currency risk. At the close of the second quarter of 2021, the company was party to interest rate swaps with a nominal value of NOK 58.0 billion. In accordance with IFRS, fair value changes of interest rate swaps and the corresponding hedged items (fixed-rate lending and fixed-rate issued bonds) due to changes in market rates, are recognised in the profit and loss accounts.

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

Impaired loans

As of 30 June 2021 impaired loans amounted to NOK 642,2 million which corresponds to 0.23% of the total loan portfolio. Allowances of NOK 90,8 million have been made, and net impaired loans were NOK 551,4 million at 30 June 2021 compared to NOK 813 million at 30 June 2020.

Nordea Eiendoms kreditt AS

Oslo, 22 July 2021



Marte Kopperstad
Chair



Gro Elisabeth Lundevik
Vice Chair



Ola Littorin
Board member



Alex Madsen
Board member



Pål Ekberg
Board member



Anne Sofie Knoph
Employee representative



Børre S. Gundersen
Chief Executive Officer

Income statement

NOKt	Note	Jan-Jun 2021	Jan-Jun 2020	Q2 2021	Q2 2020	Year 2020
Operating income						
Interest income calculated using the effective interest rate method		2 358 172	3 154 168	1 189 966	1 300 992	5 491 474
Other interest income		13 703	38 553	6 225	14 666	51 735
Interest expense		946 124	2 230 694	450 560	912 352	3 144 447
Net interest income	2	1 425 751	962 027	745 631	403 306	2 398 762
Fee and commission income		48 868	47 030	25 167	23 370	94 830
Fee and commission expense		10 168	5 975	4 183	2 092	20 578
Net fee and commission income		38 701	41 056	20 984	21 278	74 252
Net result from items at fair value	3	-112 186	-22 057	-90 224	48 027	-34 092
Other income		289	265	145	145	555
Total operating income		1 352 555	981 290	676 536	472 756	2 439 477
Staff costs		12 327	11 222	6 296	5 393	22 954
Other operating expenses		841 650	423 396	618 204	213 952	894 103
Depr/amortisation and impairment charges		37	37	18	18	74
Total operating expenses		854 014	434 655	624 519	219 363	917 131
Profit before loan losses		498 541	546 635	52 017	253 393	1 522 346
Loan losses	4	19 108	108 806	33 119	116 337	98 290
Operating profit		479 433	437 829	18 897	137 056	1 424 056
Income tax expense		119 860	109 458	4 724	34 264	356 245
Net profit for the period		359 573	328 372	14 173	102 792	1 067 811
Attributable to:						
Shareholder of Nordea Eiendoms kreditt AS		359 573	328 372	14 173	102 792	1 067 811
Total		359 573	328 372	14 173	102 792	1 067 811

Statement of comprehensive income

NOKt	Jan-Jun 2021	Jan-Jun 2020	Q2 2021	Q2 2020	Year 2020
Net profit for the period	359 573	328 372	14 173	102 792	1 067 811
Items that may be reclassified subsequently to the income statement					
Cash flow hedges:					
Valuation gains/losses during the period	1 940	16 515	6 353	-151 435	19 470
Tax on valuation gains/losses during the period	-485	-4 129	-1 588	37 859	-4 868
Items that may not be reclassified subsequently to the income statement					
Defined benefit plans:					
Remeasurement of defined benefit plans	2 474	-8 579	-2 006	-3 100	-4 852
Tax on remeasurement of defined benefit plans	-619	2 145	501	775	1 213
Other comprehensive income, net of tax	3 310	5 952	3 260	-115 902	10 964
Total comprehensive income	362 884	334 324	17 433	-13 110	1 078 775
Attributable to:					
Shareholders of Nordea Eiendoms kreditt AS	362 884	334 324	17 433	-13 110	1 078 775
Total	362 884	334 324	17 433	-13 110	1 078 775

Balance sheet

NOKt	Note	30 Jun 2021	30 Jun 2020	31 Dec 2020
Assets				
Loans to credit institutions		1 302 755	20 883	471 612
Loans to the public	5	277 279 572	259 577 102	266 049 251
Interest-bearing securities		5 224 512	5 195 568	5 181 071
Derivatives	7	706 430	1 572 021	1 423 059
Fair value changes of the hedged items in portfolio hedge of interest rate risk		856	52 961	28 490
Property and Equipment owned and RoU		154	228	191
Deferred tax assets		0	2 157	0
Accrued income and prepaid expenses		63 787	46 778	38 308
Total assets	6	284 578 066	266 467 696	273 191 982
Liabilities				
Deposits by credit institutions		167 413 040	107 388 102	106 938 866
Debt securities in issue		93 553 186	135 986 609	142 743 573
Derivatives	7	17 325	46 456	39 218
Fair value changes of the hedged items in portfolio hedge of interest rate risk		356 867	1 175 257	795 070
Current tax liabilities		182 426	436 714	383 359
Other liabilities		663 152	28 474	9 050
Accrued expenses and prepaid income		439 842	53 973	94 018
Deferred tax liabilities		34 663	0	96 236
Provisions		2 373	4 816	4 582
Retirement benefit obligations		25 963	31 842	27 703
Subordinated loan capital		2 301 481	2 301 480	2 301 732
Total liabilities		264 990 317	247 453 723	253 433 406
Equity				
Share capital		1 717 662	1 717 662	1 717 662
Share premium		8 815 965	8 815 965	8 815 965
Other reserves		-56 140	-64 463	-59 451
Retained earnings		8 750 689	8 216 437	9 284 400
Net profit for the period		359 573	328 372	
Total equity		19 587 749	19 013 973	19 758 576
Total liabilities and equity		284 578 066	266 467 696	273 191 982
Assets pledged as security for own liabilities		206 297 688	170 051 023	184 644 537
Contingent liabilities		0	183	0
Commitments		28 311 614	24 416 070	24 650 647

Nordea Eiendoms kreditt AS

Oslo, 22 July 2021



Marte Kopperstad
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Gro Elisabeth Lundevik
Vice Chair



Ola Littorin
Board member



Alex Madsen
Board member



Pål Ekberg
Board member



Anne Sofie Knoph
Employee representative



Børre S. Gundersen
Chief Executive Officer

Statements of changes in equity

	Other reserves						
				Defined benefit			
NOKt	Share capital ¹	Share premium	Cash flow hedges	plans	Retained earnings		Total equity
Opening balance at 1 January 2021	1 717 662	8 815 965	-44 753	-14 697	9 284 400		19 758 576
Total comprehensive income			1 455	1 856	359 573		362 884
Contribution and distribution							
Share Based Payment Programme EIP					289		289
Dividend paid					-534 000		-534 000
Closing balance at 30 June 2021	1 717 662	8 815 965	-43 298	-12 842	9 110 262		19 587 749

NOKt	Other reserves					Retained earnings	Total equity
	Share capital ¹	Share premium	Cash flow hedges	Defined benefit			
				plans			
Opening balance at 1 January 2020	1 717 662	8 815 965	-59 356	-11 058	8 701 191	19 164 403	
Total comprehensive income			14 603	-3 639	1 067 811	1 078 775	
Contribution and distribution							
Share Based Payment Programme EIP					298	298	
Dividend paid					-484 900	-484 900	
Closing balance at 31 December 2020	1 717 662	8 815 965	-44 753	-14 697	9 284 400	19 758 576	

NOKt	Other reserves					Retained earnings	Total equity
	Share capital ¹	Share premium	Cash flow hedges	Defined benefit			
				plans			
Opening balance at 1 January 2020	1 717 662	8 815 965	-59 356	-11 058	8 701 191	19 164 403	
Total comprehensive income			12 386	-6 434	328 372	334 324	
Contribution and distribution							
Share Based Payment Programme EIP					147	147	
Dividend paid					-484 900	-484 900	
Closing balance at 30 June 2020	1 717 662	8 815 965	-46 970	-17 492	8 544 809	19 013 973	

¹The company's share capital at 30 June 2021 was NOK 1.717.662.128,-. The number of shares was 15 336 269, each with a quota value of NOK 112,-. All shares are owned by Nordea Bank Abp.

Cash Flow statement

NOKt	Jan-Jun 2021	Jan-Jun 2020	Year 2020
Operating activities			
Operating profit before tax	479 433	437 829	1 424 056
Adjustments for items not included in cash flow	2 706	105 428	90 178
Income taxes paid	-383 470	-114 049	-317 470
Cash flow from operating activities before changes in operating assets and liabilities	98 669	429 207	1 196 764
Changes in operating assets			
Change in loans to the public	-11 235 235	-13 608 022	-19 929 696
Change in interest-bearing securities	-43 441	51 270	65 767
Change in derivatives, net	694 736	-879 847	-738 123
Change in other assets	2 192	61 666	-40 816
Changes in operating liabilities			
Change in deposits by credit institutions	60 474 175	-24 580 319	-25 029 556
Change in debt securities in issue	-49 190 387	37 862 942	44 619 906
Change in other liabilities	564 397	902 524	545 502
Cash flow from operating activities	1 365 106	239 422	689 747
Financing activities			
Change in subordinated loan capital	-251	-1 174	-922
Dividend paid	-534 000	-484 900	-484 900
Share Based Payment Programme EIP	289	147	299
Cash flow from financing activities	-533 962	-485 927	-485 523
Cash flow for the year	831 143	-246 506	204 224
Cash and cash equivalents at beginning of the period	471 612	267 389	267 389
Cash and cash equivalents at end of the period	1 302 755	20 883	471 612
Change	831 143	-246 506	204 224

Comments on the cash flow statement

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

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

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

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

Notes to the financial statements

Note 1 Accounting policies

The interim financial statements of Nordea Eiendoms kreditt AS are prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the EU. In addition, certain complementary rules in the Norwegian Accounting Act with supported regulation have been applied.

The report includes a condensed set of financial statements and is to be read in conjunction with the audited consolidated financial statement for the year ended 31 December 2020.

The accounting policies and methods of computation are unchanged from Note 1 in the Annual Report 2020, except for the items presented in the section "Changed accounting policies and presentation" below. For more information see Note 1 in the Annual Report 2020.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea Eiendoms kreditt on 1 January 2021.

Interest rate benchmark reform - Phase 2

In 2020 the International Accounting Standards Board (IASB) published amendments to International Financial Reporting Standard (IFRS) 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in "Interest Rate Benchmark Reform – Phase 2". Phase 2 of the interbank offered rate (IBOR) reform includes three major areas, hedge accounting, modifications and disclosures. The amendments were implemented by Nordea Eiendoms kreditt on 1 January 2021. Hedge relationships in Nordea Eiendoms kreditt have been able to continue as before and no material modification gains or losses have been recognised. For this reason the amendments have not had any significant impact on Nordea Eiendoms kreditt's financial statements, capital adequacy or large exposures.

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

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

Other amendments to IFRS

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

Critical judgements and estimation uncertainty

Nordea Eiendoms kreditt has applied significant critical judgements in the preparation of the interim report for the first half year of 2021, due to the significant uncertainties in relation to the potential long-term impact of Covid-19 on Nordea Eiendoms kreditt's financial statements. More information on where critical judgements are generally applied and where estimation uncertainty exists, can be found in the Annual Report 2020, Note 1 "Accounting policies", section 4. Areas particularly important in the first half year are loans to the public and provisions for loan losses.

Critical judgement has been applied in the assessment of when loans have experienced a significant increase in credit risk (staging) and in the application of macro scenarios when estimating the increase in expected credit losses. More information on impairment of loans to the public can be found in Note 5.

Critical judgements are applied when determining the fair value of financial instruments that lack quoted prices or recently observed market prices. In all of these instances, decisions are based upon professional judgement in accordance with Nordea Eiendoms kreditt's accounting and valuation policies. More information on financial instruments held at fair value on Nordea Eiendoms kreditt's balance sheet can be found in Note 9.

Exchange rates

	Jan-Jun 2021	Jan-Jun 2020	Full year 2020
GBP 1 = NOK			
Income statement (average)	11,7202	12,2809	12,0664
Balance sheet (at end of period)	11,8670	11,9409	11,6589
EUR 1 = NOK			
Income statement (average)	10,1761	10,7413	10,7291
Balance sheet (at end of period)	10,1813	10,8805	10,4703

Note 2 Net interest income

	Jan-Jun 2021	Jan-Jun 2020	Q2 2021	Q2 2020	Full year 2020
NOKt					
Interest income calculated using the effective interest rate method	2 358 172	3 154 168	1 189 966	1 300 992	5 491 474
Other interest income	13 703	38 553	6 225	14 666	51 735
Interest expense	946 124	2 230 694	450 560	912 352	3 144 447
Net interest income	1 425 751	962 027	745 631	403 306	2 398 762
Interest income calculated using the effective interest rate method					
Loans to credit institutions	565	938	187	96	2 186
Loans to customers	2 331 236	3 131 132	1 174 356	1 289 946	5 449 585
Yield fees and interest on hedges of assets	26 372	22 098	15 423	10 950	39 703
Interest income	2 358 172	3 154 168	1 189 966	1 300 992	5 491 474
Other interest income					
Interest-bearing securities measured at fair value	13 703	38 553	6 225	14 666	51 735
Other interest income¹	13 703	38 553	6 225	14 666	51 735
Interest expense					
Deposits by credit institutions	448 317	1 104 372	232 648	380 753	1 498 762
Debt securities in issue	635 531	1 147 859	284 571	568 394	1 831 671
Subordinated loan capital	25 152	37 473	12 463	16 789	61 820
Other interest and related expense ¹	-162 875	-59 011	-79 121	-53 584	-247 806
Interest expense	946 124	2 230 694	450 560	912 352	3 144 447

Interest from categories of financial instruments

	Jan-Jun 2021	Jan-Jun 2020	Q2 2021	Q2 2020	Full year 2020
NOKt					
Financial assets at amortised cost	2 367 677	3 156 742	1 194 593	1 303 232	5 505 765
Financial assets at fair value through profit and loss (related to hedging instruments) ¹	-9 505	-2 575	-4 627	-2 240	-14 291
Financial assets at fair value through profit or loss	13 703	38 553	6 225	14 666	51 735
Financial liabilities at amortised cost	-1 151 897	-2 336 704	-551 131	-991 794	-3 482 636
Financial liabilities at fair value through profit or loss	205 773	106 010	100 571	79 441	338 189
Net interest income	1 425 751	962 027	745 631	403 306	2 398 762

¹ Includes net interest income from derivatives, measured at fair value and related to Nordea Eiendomskredit's funding. This can have both a positive and negative impact on other interest expense, for further information see Note 1 Accounting policies in the Annual Report 2020.

Note 3 Net result from items at fair value

NOKt	Jan-Jun 2021	Jan-Jun 2020	Q2 2021	Q2 2020	Year 2020
Financial instruments at FVPL - Mandatorily ¹	16 204	-20 916	-525	10 569	-21 292
Financial instruments under hedge accounting	-128 390	-1 142	-89 699	37 458	-12 800
- of which net gains/losses on hedged items	281 160	-850 967	-43 746	-23 684	-504 547
- of which net gains/losses on hedging instruments	-409 550	849 825	-45 953	61 141	491 747
Total	-112 186	-22 057	-90 224	48 027	-34 092

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

Note 4 Loan losses

Net loan losses

NOKt	Jan-Jun 2021	Jan-Jun 2020	Q2 2021	Q2 2020	Year 2020
Net loan losses, Stage 1	-8 251	18 112	2 926	18 451	28 779
Net loan losses, Stage 2	-4 521	75 832	1 416	84 403	33 737
Total loan losses, non-defaulted	-12 772	93 944	4 342	102 853	62 515

Stage 3, defaulted

Net loan losses, individually assessed, collectively calculated	29 217	14 956	28 588	14 024	34 123
Realised loan losses	16 896	3 377	7 265	1 418	8 103
Decrease of provisions to cover realised loan losses	-6 662	-2 015	-102	-519	-4 026
Recoveries on previous realised loan losses	-495	0	-495	0	0
Reversals of provisions	-7 076	-1 457	-6 479	-1 440	-2 426
Net loan losses, defaulted	31 880	14 862	28 777	13 484	35 775

Net loan losses	19 108	108 806	33 119	116 337	98 290
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Key ratios ¹	Jan-Jun 2021	Jan-Jun 2020	Q2 2021	Q2 2020	Year 2020
Loan loss ratio, basis points	1,41	8,62	4,82	18,15	3,82
- of which stage 1	-0,61	1,43	0,43	2,88	1,12
- of which stage 2	-0,33	6,01	0,21	13,17	1,31
- of which stage 3	2,35	1,18	4,19	2,10	1,39

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

Note 5 Loans and impairment

Loans and impairment

NOKt	30 Jun 2021	30 Jun 2020	31 Dec 2020
Loans measured at amortised cost, not impaired (Stage 1 and 2)	276 832 530	258 910 585	265 461 969
Impaired loans (Stage 3)	642 211	871 785	777 534
- of which servicing	196 379	243 284	183 567
- of which non-servicing	445 832	628 501	593 967
Loans before allowances	277 474 741	259 782 370	266 239 503
Allowances for individually assessed impaired loans (Stage 3)	-90 777	-59 108	-75 304
- of which servicing	-17 551	-8 246	-9 092
- of which non-servicing	-73 227	-50 862	-66 213
Allowances for collectively assessed impaired loans (Stage 1 and 2)	-104 391	-146 161	-114 948
Allowances	-195 169	-205 269	-190 252
Loans, carrying amount	277 279 572	259 577 102	266 049 251

Movements of allowance accounts for loans measured at amortised cost

NOKt	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	-41 946	-73 003	-75 304	-190 252
Changes due to origination and acquisition	-19 665	-4 572	-5 885	-30 122
Changes due to transfers from Stage 1 to Stage 2	2 166	-28 946	0	-26 779
Changes due to transfers from Stage 1 to Stage 3	60	0	-3 272	-3 212
Changes due to transfers from Stage 2 to Stage 1	-1 268	26 571	0	25 303
Changes due to transfers from Stage 2 to Stage 3	0	829	-5 284	-4 455
Changes due to transfers from Stage 3 to Stage 1	-47	0	646	599
Changes due to transfers from Stage 3 to Stage 2	0	-1 606	6 377	4 771
Changes due to changes in credit risk without stage transfer	19 326	-727	-27 131	-8 532
Changes due to repayments and disposals	5 874	12 560	12 415	30 849
Write-off through decrease in allowance account	0	0	6 662	6 662
Balance at 30 June 2021	-35 498	-68 893	-90 777	-195 169

Movements of allowance accounts for loans measured at amortised cost

NOKt	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	-15 559	-39 837	-47 718	-103 114
Changes due to origination and acquisition	-11 114	-4 642	-6 876	-22 632
Changes due to transfers from Stage 1 to Stage 2	1 448	-55 443	0	-53 995
Changes due to transfers from Stage 1 to Stage 3	49	0	-5 122	-5 073
Changes due to transfers from Stage 2 to Stage 1	-2 048	13 609	0	11 561
Changes due to transfers from Stage 2 to Stage 3	0	896	-6 146	-5 251
Changes due to transfers from Stage 3 to Stage 1	-157	0	1 598	1 441
Changes due to transfers from Stage 3 to Stage 2	0	-1 055	4 148	3 093
Changes due to changes in credit risk without stage transfer	-6 784	-34 129	-6 303	-47 216
Changes due to repayments and disposals	2 376	6 230	5 297	13 902
Write-off through decrease in allowance account	0	0	2 015	2 015
Balance at 30 June 2020	-31 789	-114 372	-59 108	-205 269

Note 5 Loans and impairment cont.

Key ratios

	30 Jun 2021	30 Jun 2020	31 Dec 2020
Impairment rate, (stage 3) gross, basis points ¹⁾	23,1	33,6	29,2
Impairment rate (stage 3), net, basis points ²⁾	19,9	31,3	26,4
Total allowance rate (stage 1, 2 and 3), basis points ³⁾	7,0	7,9	7,1
Allowances in relation to credit impaired loans (stage 3), % ⁴⁾	14,1	6,8	9,7
Allowances in relation to loans in stage 1 and 2, basis points ⁵⁾	3,8	5,6	4,3

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

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

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

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

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

Forbearance

Forbearance refers to eased terms or restructuring of credit terms and conditions due to the borrower experiencing financial difficulties. The intention of granting forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of eased terms are changes in amortisation profile, repayment schedule, customer margin or eased financial covenants. Forbearance is undertaken on an individual basis, according to internal guidelines, and followed by impairment testing. Forborne exposures can be servicing or non-servicing. Individual loan loss provisions are recognised if necessary. Customers with forbearance measures are transferred to stage 2, unless already identified as credit impaired (stage 3).

During 2020 Nordea Eiendoms kreditt offered Covid-19 related instalment-free periods to customers. These were generally granted

to customers experiencing only short-term liquidity issues due solely to Covid-19 and were not registered as forbearance due to the temporary nature. Nordea Eiendoms kreditt has returned to the normal forbearance registration procedures, while still continuing to support customers through the crisis.

At the end of the second quarter of 2021 the carrying amount of loans where Nordea Eiendoms kreditt had granted Covid-19-related instalment-free periods was stable at the same level as end of the first quarter and corresponding to 9.7% of the loan portfolio. The instalment-free periods have expired on more than 70% the total carrying amount of loans on which they were originally granted, and customers have returned to normal payment schedules.

NOKt	30 Jun 2021	30 Jun 2020	31 Dec 2020
Forborne loans	810 742	829 766	979 611
-of which defaulted	58 193	89 550	116 072
Allowances for forborne loans	12 968	7 870	8 378
-of which defaulted	5 350	2 090	2 375

Key ratios

Forborne ratio, basis points ⁶⁾	29,2	32,0	36,8
Forborne coverage ratio, % ⁷⁾	1,6	0,9	0,9
-of which defaulted, %	9,2	2,3	2,0

⁶⁾ Forborne loans/Loans before allowances.

⁷⁾ Individual allowances/Forborne loans.

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 Eiendoms kreditt uses three macroeconomic scenarios, a base scenario, a favourable scenario and an adverse scenario. For the second quarter of 2021 the scenarios were weighted into the final expected credit losses (ECL) as follows: baseline 60%, adverse 20% and favourable 20% (baseline 50%, adverse 45% and favourable 5% at the end of December 2020 and

March 2021). The change in weighting compared to the previous quarter reflects reduced uncertainty regarding the impact of the pandemic, reduced downside risks following progress in Covid-19 vaccination programmes and the start to reduce restrictions in society and in the economy.

The macroeconomic scenarios are provided by Group Risk and Compliance (GRC) in Nordea, based on the Oxford Economics model. The forecast is a combination of modelling and expert judgement, subject to thorough checks and quality control processes. The model

has been built to give a good description of the historical relationships between economic variables and to capture the key linkages between those variables. The forecast period in the model is ten years, and for periods beyond, a long-term average is used in the ECL calculations.

The macro scenarios reflect Nordea's view of how the Covid-19 virus and lockdowns potentially will impact the economic outlook. The scenarios also reflect the macroeconomic effects of government and central bank support measures. When developing the scenarios, Nordea took into account projections made by Nordic governments and central banks, Nordea Research and the ECB's macroeconomic forecasts for the euro area.

The labour market support scheme has played a significant role in supporting the Norwegian economy during last year's lockdown phases, and the support to household incomes and cost relief to companies from the labour market scheme has been substantial throughout 2020 and the first half year of 2021. In recent months infection rates have declined, the pace of vaccination has accelerated and reopening of society has begun. As a result,

economic activity has picked up again, although some service industries are still under pressure. There is still substantial uncertainty surrounding the recovery ahead, but expansionary fiscal and monetary policy, large household savings and pent-up demand provide a sound basis for a sharp further increase in activity when the economy is less constrained by restrictions. Activity is expected to have recovered towards the end of 2021. Following strong housing market activity over the past year, the development of house prices is expected to become more subdued in the future.

At the end of the second quarter of 2021 adjustments to model-based allowances/provisions amounted to NOK 27m, including management judgements. The management judgements cover expected credit losses not yet covered by the IFRS model. The cyclical reserve amounted to NOK 25m at the end of the second quarter of 2021 (NOK 74m at the end of the first quarter of 2021). The structural reserve (to be later covered by remaining model updates) amounted to NOK 2m (NOK 25m at the end of the first quarter of 2021). The total loan loss allowances as of 30 June 2021 was NOK 195m.

Real GDP, % y/y	2021	2022	2023
Favourable scenario	4,6	4,1	2,0
Baseline scenario	3,8	3,4	1,2
Adverse scenario	0,9	2,4	2,2

Note 6 Classification of financial instruments

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

30 June 2021, NOKt	Amortised cost (AC)	Fair value through profit or loss (FVPL)		Non-financial assets	Total
		Mandatorily	Derivatives used for hedging		
Assets					
Loans to credit institutions	1 302 755				1 302 755
Loans to the public	277 279 572				277 279 572
Interest-bearing securities		5 224 512			5 224 512
Derivatives		6 868	699 562		706 430
Fair value changes of the hedged items in portfolio hedge of interest rate risk	856				856
Equipment owned and RoU				154	154
Prepaid expenses and accrued income	61 731			2 056	63 787
Total assets	278 644 914	5 231 380	699 562	2 210	284 578 066

30 June 2021, NOKt	Amortised cost (AC)	Fair value through profit or loss (FVPL)		Non-financial liabilities	Total
		Mandatorily	Derivatives used for hedging		
Liabilities					
Deposits by credit institutions	167 413 040				167 413 040
Debt securities in issue	93 553 186				93 553 186
Derivatives		45 096	-27 771		17 325
Fair value changes of the hedged items in portfolio hedge of interest rate risk	356 867				356 867
Current tax liabilities				182 426	182 426
Other liabilities	534 770			128 382	663 152
Accrued expenses and prepaid income	236			439 606	439 842
Deferred tax liabilities				34 663	34 663
Provisions				2 373	2 373
Retirement benefit obligations				25 963	25 963
Subordinated loan capital	2 301 481				2 301 481
Total liabilities	264 159 580	45 096	-27 771	813 413	264 990 317

Note 7 Derivatives and hedge accounting

30 June 2021, NOKt	Positive	Fair value Negative	Total nominal amount
Derivatives at FVPL - Mandatorily ¹:			
Interest rate sw aps	6 868	45 096	45 000 000
Total	6 868	45 096	45 000 000
Derivatives used for hedge accounting:			
Interest rate sw aps	287 952	-27 771	13 044 000
Currency interest rate sw aps	411 610	0	4 340 730
Total	699 562	-27 771	17 384 730
- of w hich fair value hedges	287 952	-27 771	13 044 000
- of w hich cash flow hedges	411 610	0	4 340 730
Total derivatives	706 430	17 325	62 384 730

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

30 June 2020, NOKt	Positive	Fair value Negative	Total nominal amount
Derivatives at FVPL - Mandorily ¹:			
Interest rate sw aps	643	21 156	24 000 000
Total	643	21 156	24 000 000
Derivatives used for hedge accounting:			
Interest rate sw aps	1 011 695	25 300	22 525 000
Currency interest rate sw aps	559 683	0	4 340 730
Total	1 571 378	25 300	26 865 730
- of w hich fair value hedges	1 011 695	25 300	22 525 000
- of w hich cash flow hedges	559 683	0	4 340 730
Total derivatives	1 572 021	46 456	50 865 730

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

Note 8 Fair value of financial assets and liabilities

NOKt	30 Jun 2021		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	278 583 183	279 233 200	266 549 354	266 415 070
Interest-bearing securities	5 224 512	5 224 512	5 181 071	5 181 071
Derivatives	706 430	706 430	1 423 059	1 423 059
Prepaid expenses and accrued income	61 731	61 731	36 755	36 755
Total financial assets	284 575 856	285 225 873	273 190 239	273 055 955
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Deposits and debt instruments	263 624 574	264 270 808	252 779 239	254 196 841
Derivatives	17 325	17 325	39 218	39 218
Other financial liabilities	534 770	534 770	1 447	1 447
Accrued expenses and prepaid income	236	236	351	351
Total financial liabilities	264 176 905	264 823 139	252 820 255	254 237 857

The determination of fair value is described in the Annual Report 2020, Note 18 Assets and liabilities at fair value.

Note 9 Financial assets and liabilities measured at fair value on the balance sheet

Categorisation into fair value hierarchy

	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
30 June 2021, NOKt				
Financial assets ¹				
Interest-bearing securities		5 224 512		5 224 512
Derivatives		706 430	0	706 430
Total assets	0	5 930 942	0	5 930 942
Financial liabilities ¹				
Derivatives		17 325		17 325
Total liabilities	0	17 325	0	17 325
31 December 2020, NOKt				
Financial assets ¹				
Interest-bearing securities		5 181 071		5 181 071
Derivatives		1 122 645	300 414	1 423 059
Total assets	0	6 303 716	300 414	6 604 130
Financial liabilities ¹				
Derivatives		39 218		39 218
Total liabilities	0	39 218	0	39 218

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

Note 9 Financial assets and liabilities measured at fair value on the balance sheet cont.

Determination of fair values for items measured at fair value on the balance sheet

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments, based on independently sourced market parameters as described above, and assuming no risks and uncertainties. For more information about valuation techniques and inputs used in the fair value measurement, see the Annual Report 2020, Note 18 Assets and liabilities at fair value.

Transfers between Level 1 and Level 2

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

Movements in Level 3

	1 Jan 2021	Transfers into Level 3	Transfers out of Level 3	30 June 2021
30 June 2021, NOKt				
Derivatives (net)	300 414		-300 414	0

Unrealised gains and losses relates to those assets and liabilities held at the end of the reporting period. During the period Nordea Eiendomskreditt AS had transfers from level 3 to level 2 of the fair value hierarchy. The reason for the transfer into level 2, was that observable market data has now become available also for maturities longer than 20 years. Fair value gains and losses in the income statement during the year are included in Net result from items at fair value, see Note 3 "Net result from items at fair value".

Note 10 Cover Pool

	30 Jun 2021		30 Jun 2020		31 Dec 2020	
NOKt	Nominal value	Net Present Value	Nominal value	Net Present Value	Nominal value	Net Present Value
Loans to the public	277 280 726	277 253 922	259 586 095	259 764 192	266 041 856	265 907 572
- w hereof pool of eligible loans	206 297 688	206 277 745	170 051 023	170 167 691	184 644 537	184 551 339
Supplementary assets and derivatives:						
- w hereof CIRS	379 883	449 510	472 865	586 646	343 862	457 787
- w hereof IRS	0	392 327	0	1 183 241	0	1 113 390
Total cover pool	206 677 571	207 119 582	170 523 888	171 937 578	184 988 400	186 122 516
Debt securities in issue (net outstanding amount)	92 596 613	93 744 885	135 736 595	137 249 609	141 793 592	143 152 487
Over-collateralization calculated on net outstanding covered bonds	123,2 %	120,9 %	25,6 %	25,3 %	30,5 %	30,0 %
Debt securities in issue (issue amount)	92 596 613	93 744 885	135 736 595	137 249 609	141 793 592	143 152 487
Over-collateralization calculated on issued covered bonds (gross outstanding covered bonds) ¹	123,2 %	120,9 %	25,6 %	25,3 %	30,5 %	30,0 %

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

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 Market values or Net present values. Due to different calculation methods, these may differ from Fair values disclosed in other notes to this Interim Report.

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 Market values or Net present values. Due to different calculation methods, these may differ from Fair values disclosed in other notes to this Interim Report.

Note 11 Debt securities in issue and loans from financial institutions

NOKt	30 June 2021			30 June 2020		
	Nominal value	Other ¹	Carrying amount	Nominal value	Other ¹	Carrying amount
Covered bonds issued in Norwegian kroner	87 876 000			130 923 000		
Holdings of own covered bonds in Norwegian kroner	0			0		
Outstanding covered bonds issued in Norwegian kroner	87 876 000			130 923 000		
Covered bonds issued in GBP (in NOK)	3 702 488			3 725 545		
Covered bonds issued in EUR (in NOK)	1 018 125			1 088 050		
Total outstanding covered bonds	92 596 613	956 572	93 553 186	135 736 595	250 014	135 986 609
Loans and deposits from financial institutions for a fixed term	167 293 951	119 089	167 413 040	107 120 951	126 410	107 247 361
Subordinated loan	2 300 000	1 481	2 301 481	2 300 000	1 480	2 301 480
Total	262 190 564	1 077 142	263 267 707	245 157 546	377 904	245 535 451

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

Maturity information

Maximum 1 year	90 051 054	58 836 301
More than 1 year	172 139 511	186 321 246
Total	262 190 564	245 157 546

Norwegian covered bonds (NOKt) at 30 June 2021

ISIN code	Issue date	Final payment date	Interest	Interest rate in %	Currency	Outstanding nominal amount
NO0010593064	22.12.2010	18.06.2025	Fixed	4,80	NOK	550 000
NO0010758931	08.03.2016	15.06.2022	Fixed	1,80	NOK	4 615 000
NO0010759632	17.03.2016	15.06.2022	Float	3M Nibor + 0,78%	NOK	13 711 000
NO0010766827	21.06.2016	18.06.2031	Fixed	2,20	NOK	500 000
NO0010812084	11.12.2017	17.09.2043	Fixed	2,20	NOK	300 000
NO0010819717	21.02.2018	21.06.2023	Float	3M Nibor + 0,30%	NOK	18 550 000
NO0010821986	04.05.2018	04.05.2048	Fixed	2,60	NOK	300 000
NO0010843626	26.02.2019	19.06.2024	Float	3M Nibor + 0,34%	NOK	18 900 000
NO0010852650	22.05.2019	22.05.2026	Fixed	2,17	NOK	5 050 000
NO0010873334	22.02.2020	19.03.2025	Float	3M Nibor + 0,26%	NOK	11 400 000
NO0010893282	16.09.2020	16.09.2025	Float	3M Nibor + 1,50%	NOK	7 750 000
NO0010981301	21.04.2021	18.03.2026	Float	3M Nibor + 1,50%	NOK	6 250 000
Total						87 876 000

Covered bonds issued in foreign currency at 30 June 2021

ISIN code	Issue date	Final payment date	Interest	Interest rate in %	Currency	Outstanding nominal amount
XS1487838291	09.09.2016	09.09.2021	Float	3M GBP Libor + 0,42%	GBP	12 000
XS1837099339	18.06.2018	18.06.2023	Float	3M GBP Libor + 0,33%	GBP	300 000
XS1451306036	19.07.2016	15.07.2031	Fixed	0,738	EUR	100 000
Total (in NOKt equivalent)						4 720 613

Note 12 Capital adequacy

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

Summary of items included in own funds

NOKm	30 Jun 2021	31 Dec ¹ 2020	30 Jun 2020
Equity in the consolidated situation	19 228	19 759	18 686
Proposed/actual dividend		-534	
Common Equity Tier 1 capital before regulatory adjustments	19 228	19 225	18 686
Deferred tax assets			
Intangible assets			
IRB provisions shortfall (-)	-182	-136	-215
Pension assets in excess of related liabilities			
Other items, net	38	39	39
Total regulatory adjustments to Common Equity Tier 1 capital	-144	-97	-176
Common Equity Tier 1 capital (net after deduction)	19 084	19 128	18 510
Additional Tier 1 capital before regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital			
Additional Tier 1 capital			
Tier 1 capital (net after deduction)	19 084	19 128	18 510
Tier 2 capital before regulatory adjustments	2 300	2 300	2 300
IRB provisions excess (+)	111	61	40
Deductions for investments in insurance companies			
Other items, net			
Total regulatory adjustments to Tier 2 capital	111	61	40
Tier 2 capital	2 411	2 361	2 340
Own funds (net after deduction)²	21 495	21 489	20 850

¹ Including profit for the period

² Own Funds adjusted for IRB provision, i.e. adjusted own funds equal NOK 21,566m by 30 Jun 2021

Own Funds, including profit

NOKm	30 Jun 2021	31 Dec 2020	30 Jun 2020
Common Equity Tier 1 capital, including profit	19 082	19 128	18 676
Total Own Funds, including profit	21 494	21 489	21 016

Note 12 Capital adequacy cont.

Minimum capital requirement and REA (Risk Exposure Amount)

	30 Jun 2021	30 Jun 2021	31 Dec 2020	31 Dec 2020	30 Jun 2020	30 Jun 2020
	Minimum Capital requirement	Minimum Capital requirement	Minimum Capital requirement	Minimum Capital requirement	Minimum Capital requirement	Minimum Capital requirement
NOKm	REA	REA	REA	REA	REA	REA
Credit risk	5 046	63 076	4 807	60 091	4 776	59 704
- of which counterparty credit risk	27	333	27	341	30	373
IRB	4 998	62 474	4 773	59 658	4 746	59 321
- sovereign						
- corporate						
- <i>advanced</i>						
- <i>foundation</i>						
- institutions	18	225	15	180	14	180
- retail	4 978	62 230	4 758	59 477	4 728	59 096
- <i>secured by immovable property collateral</i>	4 365	54 571	4 172	52 146	3 925	49 059
- <i>other retail</i>	613	7 659	586	7 331	803	10 037
- other	2	19	0	1	4	45
Standardised	48	602	34	433	30	383
- central governments or central banks					0	5
- regional governments or local authorities						
- public sector entities						
- multilateral development banks						
- international organisations						
- institutions	48	602	34	433	30	377,80
- corporate						
- retail						
- secured by mortgages on immovable properties						
- in default						
- associated with particularly high risk						
- covered bonds						
- institutions and corporates with a short-term credit assessment						
- collective investments undertakings (CIU)						
- equity						
- other items						
Credit Valuation Adjustment Risk						
Market risk						
- trading book, Internal Approach						
- trading book, Standardised Approach						
- banking book, Standardised Approach						
Settlement risk						
Operational risk	228	2 846	195	2 434	195	2 434
Standardised	228	2 846	195	2 434	195	2 434
Additional risk exposure amount related to Finnish RW floor due to Article 458 CRR						
Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR	2	24	2	21	2	23
Additional risk exposure amount due to Article 3 CRR						
Total	5 276	65 946	5 004	62 546	4 973	62 161

Note 12 Capital adequacy cont.

Minimum Capital Requirement & Capital Buffers

Percentage	Minimum Capital requireme nt	Capital Buffers				Total
		CCoB	CCyB	O-SII	SRB	Capital Buffers total
Common Equity Tier 1 capital	4,5	2,5	1,0		4,5	8,0
Tier 1 capital	6,0	2,5	1,0		4,5	8,0
Own funds	8,0	2,5	1,0		4,5	8,0
NOKm						
Common Equity Tier 1 capital	2 968	1 649	658		2 960	5 266
Tier 1 capital	3 957	1 649	658		2 960	5 266
Own funds	5 276	1 649	658		2 960	5 266

Common Equity Tier 1 available to meet Capital Buffers

	30 Jun 2021	31 Dec ¹ 2020	30 Jun 2020
Percentage points of REA			
Common Equity Tier 1 capital	22,9	24,6	23,8

¹ Including profit for the period

Capital ratios

	30 Jun 2021	31 Dec 2020	30 Jun 2020
Percentage			
Common Equity Tier 1 capital ratio, including profit	28,9	30,6	30,0
Tier 1 capital ratio, including profit	28,9	30,6	30,0
Total capital ratio, including profit	32,6	34,4	33,8
Common Equity Tier 1 capital ratio, excluding profit	28,9	29,7	29,8
Tier 1 capital ratio, excluding profit	28,9	29,7	29,8
Total capital ratio, excluding profit	32,6	33,5	33,5

Leverage ratio

	30 Jun 2021	31 Dec ¹ 2020	30 Jun 2020
Tier 1 capital, transitional definition, NOKm	19 084	19 128	18 510
Leverage ratio exposure, NOKm	298 830	285 725	278 824
Leverage ratio, percentage	6,4	6,7	6,6

¹ Including profit for the period

Note 12 Capital adequacy cont.

Credit risk exposures for which internal models are used, split by rating grade

	On-balance exposure, NOKm	Off-balance exposure, NOKm	Exposure value (EAD), NOKm ¹	of which EAD for off- balance, NOKm	Exposure- weighted average risk weight:
Institutions, foundation IRB:	3 118		3 118		7
<i>of which</i>					
- rating grades 6	3 118		3 118		7
- rating grades 5					
- rating grades 4					
- rating grades 3					
- rating grades 2					
- rating grades 1					
- unrated					
- defaulted					
Retail, of which secured by real estate:	246 559	7 010	248 942	2 383	22
<i>of which</i>					
- scoring grades A	202 463	6 152	204 555	2 092	21
- scoring grades B	30 423	631	30 637	214	21
- scoring grades C	9 751	189	9 815	64	24
- scoring grades D	3 483	37	3 495	13	39
- scoring grades E					
- scoring grades F					
- not scored					
- defaulted	439	1	440	0	244
Retail, of which other retail:	30 918	21 302	38 160	7 243	20
<i>of which</i>					
- scoring grades A	14 026	18 368	20 272	6 245	7
- scoring grades B	2 638	1 455	3 132	495	14
- scoring grades C	946	491	1 113	167	26
- scoring grades D	8 790	755	9 046	257	37
- scoring grades E	3 313	177	3 373	60	39
- scoring grades F	780	12	784	4	56
- not scored	359	41	373	14	63
- defaulted	66	3	67	1	322
Other non credit-obligation assets:	19		19		100

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

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

Note 13 Risks and uncertainties

Nordea Eiendomskreditt's sole business activity is lending secured by residential properties and holiday houses, and the company's main risk exposure is credit risk, which means the ability of its borrowers to service their loans. Secondly, the company is exposed to changes in the residential property market and the market for holiday houses.

There are significant risks caused by the Covid-19 pandemic given the uncertainty of the economic impact on the Norwegian mortgage market. Depending on future developments, potential adverse impacts on income could arise due to lower net interest income and

increased loan losses. Potential future credit risk losses are addressed in Note 5 and in the section "Net loan losses" in the Board of Directors' Report.

Nordea Eiendomskreditt is also exposed to risks such as market risk, liquidity risk and operational risk. Further information on the composition of the company's risk exposure and risk management can be found in the Annual Report for 2020.

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

Note 14 Transactions with related parties

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

Interest rate risk and currency risk that arise as part of Nordea Eiendomskreditt's normal business activities, are hedged using interest rate and cross currency swaps. Counterparties to all derivative contracts are Nordea Group internal. The volume and fair value of the derivative contracts are shown in note 7.

Nordea Bank Abp, filial i Norge provides unsecured funding to Nordea Eiendomskreditt, and at the end of the second quarter 2021 such borrowings amounted to NOK 167.3 billion. Subordinated loans provided by Nordea Bank Abp was NOK 2.3 billion at the end of the second quarter. In addition, Nordea Bank Abp had a holding of covered bonds issued by Nordea Eiendomskreditt of NOK 0.3 billion at the end of the second quarter of 2021.

Loans to the public are managed by Nordea Bank Abp, filial i Norge. For loans issued directly from Nordea Eiendomskreditt, this management includes credit assessment and other processes in relation to the loan origination, i.e. sales and distribution services. As a result of the ongoing process for updating the transfer pricing method for the internal sales and distribution services, as described in the Board of Directors' Report, a provision for the increased cost has been booked in the second quarter, resulting in a total expense of NOK 804 million in the first half year of 2021.

Nordea Eiendomskreditt also buys services related to funding and risk control, accounting and reporting, people services and IT services from other Nordea companies according to agreements entered into. For these services Nordea Eiendomskreditt has paid NOK 15 million in the first half year of 2021. All group internal transactions are settled according to market-based principles on conformity with OECD requirements on transfer pricing.

Statement by the Chief Executive Officer and the Board of Directors

Pursuant to Section 5-6 of the Securities Trading Act

The Chief Executive Officer and the Board of Directors confirms that to the best of their knowledge the interim report for the six months to 30 June 2021 has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU, and gives a true and fair view of the company's assets and liabilities, its financial position and results.

The Chief Executive Officer and the Board of Directors also consider that to the best of their knowledge the interim report for the first six month to 30 June 2021 gives a true and fair:

- overview of important events that have occurred during the accounting period and their impact on the half yearly financial statements.
- description of the most relevant risk factors the company faces over the next accounting period.
- description of the most significant transactions with related parties.

Oslo, 22 July 2021

The Board of Nordea Eiendoms kreditt AS



Marte Kopperstad
Chair



Gro Elisabeth Lundevik
Vice Chair



Ola Littorin
Board member



Alex Madsen
Board member



Pål Ekberg
Board member



Anne Sofie Knoph
Employee representative



Børre S. Gundersen
Chief Executive Officer

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