Annual Report 2011

Nordea Eiendomskreditt AS

Nordea Eiendomskreditt AS is part of the Nordea group. Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. Nordea is making it possible for the customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 11 million customers, approx. 1,400 branch offices and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.

Contents

The following is a translation of the Norwegian original document. The original Norwegian text shall be the governing text for all purposes and in the case of any discrepancy the Norwegian wording shall be applicable.

Key financial figures

Summary of income statement (NOK mill.)

	2011	2010
Net interest income	**562**	**649**
Net gains/losses on items at fair value	197	4
Other income	34	28
Total operating income	**793**	**681**
Staff costs	-2	-5
Other expenses	-111	-95
Total operating expenses	**-113**	**-99**
Loan losses (negative figures are reversals)	16	37
Operating profit	**664**	**544**
Income tax expense	186	160
Net profit for the year	**478**	**385**

Summary of balance sheet (NOK mill.)

	2011	2010
Instalment loans	88,582	80,786
Allowance for loan losses	-44	-36
Other assets	2,445	303
Debt securities in issue	68,967	59,271
Other liabilities	17,795	18,039
Equity	4,221	3,743
Total assets	**90,983**	**81,054**
Average total assets	84,809	70,551

Ratios and key figures

	2011	2010
Earnings per share (NOK)	31.2	25.1
Equity per share [1] (NOK)	275.2	244.1
Shares outstanding [1], million	15.3	15.3
Post-tax return on average equity	12.8 %	11.2 %
Cost/income ratio	14.2 %	14.60%
Core tier 1 capital ratio, excl. transition rules [1]	28.1 %	26.7 %
Tier 1 capital ratio, excl. transition rules [1]	28.1 %	26.7 %
Total capital ratio, excl. transition rules [1]	33.0 %	26.7 %
Core tier 1 capital ratio, incl. transition rules [1]	10.7 %	10.3 %
Tier 1 capital ratio incl. transition rules [1]	10.7 %	10.3 %
Total capital ratio incl. transition rules [1]	12.6 %	10.3 %
Capital base (NOK mill.) [1]	4,889	3,667
Risk-weighted assets incl. transition rules (NOK mill) [1]	38,834	35,470

[1] At the end of the period

Board of Directors' Report

Previous year comparative figures are shown in brackets.

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 with the business objective to acquire residential mortgage loans from the parent bank and to fund its lending activities primarily via issuance of covered bonds in the domestic Norwegian market. Issuance has also taken place in the US market.
The company's registered address is in Oslo, but its employees are located in Bergen.

The company's share capital is NOK 1,533.6 million, made up of 15,336,269 ordinary shares, each of nominal value NOK 100. The entire issued share capital is owned by Nordea Bank Norge ASA (NBN).

Highlights of 2011

The company reported a pre-tax profit for 2011 of NOK 664.0 million, an increase from NOK 544.4 million in 2010. Included in the profit for 2011 is a realised gain of NOK 214.6 million related to buy-backs of own bonds issued in connection with the swap arrangement in Norges Bank. The profit for 2011, exclusive of this gain, has decreased in relation to the profit for 2010. Net lending was NOK 88.5 billion at 31 December 2011 as compared to NOK 80.8 billion at 31 December 2010.

The company issued covered bonds in 2011 totalling NOK 22.1 billion in the Norwegian market and USD 3.0 billion in the US market.

Comments on the Income statement

Total operating income was NOK 792.6 million (compared to NOK 680.2 million in 2010) which gives an increase of 16.5%.

Net interest income decreased by 13.3% to NOK 562.5 million (NOK 648.7 million in 2010). The decrease is due to a lower interest margin in the lending portfolio in 2011, partly compensated by a higher lending volume.

Net fee and commission income increased by 22.3% to NOK 33.5 million (NOK 27.4 million in 2010). The income regards lending related commissions and the increase is due to a larger average lending portfolio in 2011 as the year was the first full year as a mortgage credit institution.

Net result from items at fair value amounted to NOK 196.6 million (NOK 3.8 million in 2010). The increase is mainly due to a reported realised gain of NOK 214.6 million in 2011 (NOK 0 million in 2010) related to the above mentioned buy-backs of own bonds.

In accordance with IFRS, net result from items at fair value also includes fair value changes of interest rate swaps and the corresponding hedged items (fixed-rate lending and fixed-rate bonds) due to changes in market rates. The net change in value of interest rate swaps and hedged balance sheet items amounted to NOK -18.0 million in 2011 (NOK 3.9 million in 2010).

Total operating expenses went up by 14.5% to NOK 112.8 million (NOK 98.6 million in 2010).

The cost related to management of the lending portfolio and customer contact, a service that is purchased from the parent bank, stands for more than 80% of the operating expenses, and has increased along with the increase in the lending volume.

The company also purchases services related to funding and risk management, accounting and reporting from NBN and Nordea Bank AB. Total operating expenses were equivalent to 0.13% of average total assets (0.14%). Nordea Eiendomskreditt AS does not incur any costs for research and development activities.

Net loan losses amounted to NOK 15.8 million, a reduction of 57.6%. The main reason for the reduction is that the increase in allowance for collectively assessed loans during the year, was lower in 2011 compared to 2010. Loan losses relating to individually assessed loans were NOK 11.6 million in 2011 compared to NOK 8.4 in 2010.

Taxes for the year amounted to NOK 186.0 million, of which NOK 119.2 million relates to tax payable and NOK 66.8 million was due to changes in deferred tax.

Net profit for the year amounted to NOK 478.0 million (compared to NOK 384.5 million for 2010). This gives a return on average equity of 12.8% (11.2%).

Comments on the Balance sheet

Assets and lending activities

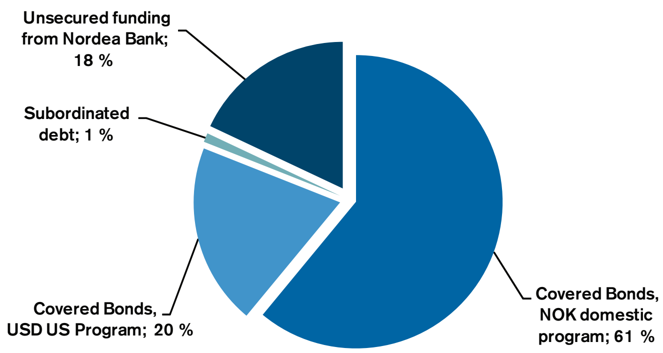
Gross lending to customers at 31 December 2011 amounted to NOK 88,582 million compared to NOK 80,786 million at the end of 2010, representing an increase of 9.6%. Gross lending consists entirely of residential mortgage loans used as collateral in securing the covered bonds issued by the company. NOK 84,222 million 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 22.9% in relation to the covered bonds issued.

Liabilities and funding activities

Nordea Eiendomskreditt's main funding source is issuance of covered bonds. Covered bonds are debt instruments, regulated by the Norwegian Act on Financing Activity and Financial Institutions (Financial Institutions Act), that give investors a preferential claim into a pool of high quality assets in case of the issuer's insolvency. Norwegian covered bonds can only be issued by mortgage credit institutions that holds a licence from the Norwegian FSA and whose articles of association comply with certain mandatory requirements. The cover pool in Nordea Eiendomskreditt consists only of Norwegian residential mortgage loans.

During 2011 Nordea Eiendomskreditt has issued covered bonds amounting to NOK 22,1 billion in the Norwegian domestic market under its NOK 75 billion domestic covered bond program. Issuance is done via taps of outstanding and new bonds via designated dealers. In addition, Nordea Eiendomskreditt has during 2011 issued USD 3 billion in the US market under its USD 10 billion 144a covered bond program. As of 31 December 2011, Nordea Eiendomskreditt had outstanding covered bonds totalling NOK 31 billion in the Norwegian market and USD 3 billion in the US market. In addition, Nordea Eiendomskreditt had outstanding NOK 20 billion of covered bonds issued in connection with swap arrangements provided by the Norwegian government. Nordea Eiendomskreditt had also subordinated debt outstanding to the amount of NOK 0.78 billion.

In addition to the long term funding Nordea Eiendomskreditt also raised short term unsecured funding from the parent bank. At the end of 2011 such borrowings amounted to NOK 15.3 billion.



Equity
Shareholder's equity ended at NOK 4,220.9 million. This includes net profit for the year of NOK 478.0 million.

Allocation of net profit for the year
Nordea Eiendomskreditt AS reported a net profit for the year of NOK 478.0 million. The Board of Directors will propose to the Annual General Meeting that the company should transfer the entire net profit for the year to the company's Retained earnings. The Board is of the view that the company's total equity and capital adequacy following the allocation will be sound, and well in excess of the minimum requirements laid down by the Basel capital adequacy regulations and the Norwegian Capital Adequacy Regulation of 14 December 2006.

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 2011, the company was party to interest rate swaps with a nominal value of NOK 50.1 billion.

Nordea Eiendomskreditt has in 2011 issued bonds totalling USD 3 billion in the US market. In order to eliminate the foreign exchange risk, the company has entered into currency swaps of the same amount. Nordea Bank Norge ASA is counterparty to all derivative contracts. For total exposure regarding off-balance sheet commitments, see note 9 Derivatives and Hedge accounting and note 14 Commitments.

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.

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

Risk, liquidity and capital management
Risk, liquidity and capital management are key success factors in the financial services industry. Exposure to risk is inherent in providing financial services, and the Nordea Group assumes a variety of risks in its ordinary business activities, the most significant being credit risk. The maintaining of risk awareness in the organisation is incorporated in the business strategies. Nordea has clearly defined risk, liquidity and capital management frameworks, including policies and instructions for different risk types, capital adequacy and for the capital structure. Nordea Eiendomskreditt is wholly integrated in the Nordea Group's risk and capital management in its applicable parts, which is why the following section describes how risk, liquidity and capital management is handled in the Nordea Group.

Management principles and control
The Board of Directors in the Nordea Group has the ultimate responsibility for limiting and monitoring the group's risk exposure as well as for setting the targets for the capital ratios. Risk is measured and reported according to common principles and policies approved by the Board of Directors, which also decides on policies for credit, market and liquidity risk, as well as the internal processes for assessment of capital adequacy (ICAAP). All policies are reviewed at least annually.

Roles and allocation of responsibility within the Nordea Group
The Chief Executive Officer (CEO) in Group Executive Management (GEM) has overall responsibility for developing and maintaining effective risk, liquidity and capital management principles and control.

The CEO and GEM regularly review reports on risk exposure and have established a number of committees for risk, liquidity and capital management, the most essential for Nordea Eiendomskreditt being:

- The Asset and Liability Committee (ALCO), chaired by the Chief Financial Officer (CFO), prepares issues of major importance concerning the Group's financial operations and financial risks as well as capital management for decision by the CEO in GEM.
- The Risk Committee, chaired by the Chief Risk Officer (CRO), oversees the management and control of the Nordea Group's risks on an aggregate level and evaluates the sufficiency of the risk frameworks, controls and processes associated with these risks.

Within the Group, there are two units, Group Risk Management and Group Corporate Centre, that are responsible for risk, capital, liquidity and balance sheet management. Group Risk Management, headed by the CRO, is responsible for the risk management framework and processes as well as the capital adequacy framework.

Group Corporate Centre, headed by the CFO, is responsible for the capital policy, the composition of the capital base and for management of liquidity risk.

Risk reporting
Risk reporting is regularly made to the Risk Committee, GEM and Board of Directors. Reporting of the internal required capital includes all types of risks and is reported regularly to ALCO. Group Internal Audit (GIA) makes an independent evaluation of the processes regarding risk and capital management in accordance with the annual audit plan. A separate risk description is reported to the Board of Directors in Nordea Eiendomskreditt once a year according to Norwegian legislation requirements.

The Pillar 3 disclosure – Capital and risk management report
More detailed information on risk and capital is presented in the disclosure in accordance with the Pillar 3 requirements according to the CRD in the Basel II framework at www.nordea.com.

Risk management - Credit risk
Credit risk is defined as the risk of loss if counterparts fail to fulfil their agreed obligations and that the pledged collateral does not cover the claims. Credit risk in Nordea Eiendomskreditt is mainly related to the lending portfolio.

The major part of the lending portfolio is secured by collateral with loan amounts not exceeding 75% of the value of the pledged real estate, and the risk of material losses in the portfolio is therefore considered to be relatively low.

Individual and collective assessment of impairment
The loan portfolio is regularly reviewed in order to identify potential losses. Exposures that have been past due more than 90 days are automatically regarded as non-performing, and reported as impaired or not impaired depending on whether an individual allowance has been made or not (allowance calculation method is further described in note 1 Accounting policies). In addition to individual impairment testing of all individually customers, collective impairment testing is performed for groups of customers that have not been found to be impaired on individual level. The collective impairment is based on the migration of scored customers in the credit portfolio as well as management judgement. The assessment of collective impairment reacts to up- and down-ratings of customers as well as new customers and customers leaving the portfolio. Also customers going to and from default affect the calculation. Collective impairment is assessed quarterly for each legal unit. The rationale for this two-step procedure with both individual and collective assessment is to ensure that all incurred losses are accounted for up to and including each balance sheet day.

The credit portfolio
Credit risk exposure is measured and presented as the principle amount of on-balance-sheet claims, ie loans to credit institutions and the public, and off-balance-sheet potential claims on customers and counterparts, net after allowances. Exposure also includes the risk related to derivatives contracts.

Nordea Eiendomskreditt's lending to the public, net after allowances, increased by 9.6% to NOK 88,537 million at the end of 2011, the whole portfolio being residential mortgage loans secured by properties in Norway. Unutilised credit facilities related to home flex mortgage loans, amounted to NOK 7,773 million (NOK 7,829 million).

The company does not have any assets in the form of interest bearing securities. The risk exposure on derivatives amounted to NOK 1,072 million (NOK 479 million).

Lending to credit institutions amounted to NOK 154 million at the end of the year (NOK 100 million), all of which was placed in the parent bank as cash accounts, payable on demand.

The collateral value for the lending portfolio, when collateral values in excess of the loan size is not taken into account, is represented by the book value of the lending portfolio, net after allowances.

Rating and scoring distribution
One way of assessing credit quality is through analysis of the distribution across rating grades for scored household customers. Information on scoring distribution in the lending portfolio is shown in note 23 Scoring distribution of the lending portfolio.

Impaired loans and loan losses
Impaired loans gross in Nordea Eiendomskreditt increased during the year to NOK 41.5 million from NOK 27.3 million, corresponding to 0.05% of total loans. 20% of impaired loans gross are performing loans and 80% are non-performing loans. Impaired loans net, after allowances for individually assessed impaired loans amounted to NOK 30.2 million (NOK 19.9 million), corresponding to 0.03 % of total loans. Allowances for individually assessed loans increased to NOK 11.3 million from NOK 7.4 million.

Allowances for collectively assessed loans increased to NOK 33.0 million from NOK 28.8 million.

The volume of past due loans to household customers increased to NOK 1.790 million (NOK 1.507 million) in 2011. Nordea Eiendomskreditt has not taken over any properties for protection of claims.

Loan losses were NOK 15.8 million in 2011 (NOK 37.2 million). This corresponds to a loan loss ratio of 0.02%.

Counterparty risk
Counterparty credit risk is the risk that Nordea Eiendomskreditt's counterpart in a derivative contract defaults prior to maturity of the contract and that Nordea Eiendomskreditt at that time has a claim on the counterpart. Nordea Bank Norge ASA is counterpart to all of the company's derivative contracts, and the counterparty risk is assessed to be low.

Market risk
Market risk is defined as the risk of loss in Nordea Eiendomskreditt's holdings and transactions as a result of changes in market rates and parameters that affect the market value, for example changes to interest rates, credit spreads and FX rates. The basic principle is that market risks are eliminated by matching assets, liabilities and off-balance sheet items.

Nordea Eiendomskreditt quantifies its exposure to interest rate risk by using a simulated 1% parallel shift in the yield curve. Interest rate risk is accordingly equivalent to the change in value of the portfolio of assets and liabilities exposed to interest rate risk in the event of a 1% parallel shift of the respective yield curves.

At the close of 2011, Nordea Eiendomskreditt's interest rate sensitivity was approximately NOK 54 million calculated in relation to a parallel shift in the yield curve of 1 percentage point. This implies that Nordea Eiendomskreditt AS would gain NOK 54 million in the event of an increase in all interest rates by one percentage point. In this context, 'gain' refers to an increase in the discounted current value of equity capital. This is not the figure that would be reported in the income statement. The effect of the change in value would materialise in the form of a change in net interest income over future years. The equivalent interest rate sensitivity at the close of 2010 was approximately NOK -2 million.

Further information on the methods used in the Nordea group for managing and measuring interest rate risk can be found in the Nordea Annual Report at www.nordea.com.

Currency risk
Nordea Eiendomskreditt operates with a policy of hedging all currency risk. All assets and liabilities of any material amount that are denominated in foreign currencies are hedged through currency swaps.

A change in the foreign exchange rate will therefore not have any impact on the net result for the year or on the equity.

Operational risk
Operational risk is defined as the risk of direct or indirect loss, or damaged reputation, resulting from inadequate or failed internal processes, from people and systems, or from external events.

Operational risk includes compliance risk, which is the risk of business not being conducted according to legal and regulatory requirements, market standards and business ethics.

Nordea Eiendomskreditt operates an organisational structure with only two employees, and its operations are based to a very large extent on purchasing services from the Nordea group. Contracts have been entered into in this respect with the relevant units. The company's risk management is based in part on the parent bank's management of operational risk in accordance with defined Group directives and reporting requirements. Group Internal Audit produces reports for the Board of Directors of Nordea Eiendomskreditt on risk management, internal control and monitoring procedures. Further information on the management of operational risk in Nordea can be found in the Nordea Annual Report at www.nordea.com.

Liquidity risk
Liquidity risk management
Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due. Nordea Eiendomskreditt's liquidity risk management is an integral part of the Nordea Group's liquidity risk management. Policy statements stipulate that Nordea's liquidity

management reflects a conservative attitude towards liquidity risk. Nordea strives to diversify the Group's sources of funding and seeks to establish and maintain relationships with investors in order to manage the market access. Broad and diversified funding structure is reflected by the strong presence in the Group's four domestic markets in the form of a strong and stable retail customer base and the variety of funding programs.

Nordea's liquidity risk management includes stress testing and a business continuity plan for liquidity management. Stress testing is defined as the evaluation of potential effects on a bank's liquidity situation under a set of exceptional but plausible events. Group Treasury is responsible for managing the liquidity and for compliance with the group-wide limits from the Boards of Directors and CEO in GEM.

Liquidity risk measurement methods

The liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. In order to manage short-term funding positions, Nordea measures the funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days.To ensure funding in situations where Nordea is in urgent need of cash and the normal funding sources do not suffice, Nordea holds a liquidity buffer. Limit is set by the Board of Directors for the minimum size of the liquidity buffer.

During 2011 Survival horizon metrics was introduced. In alignment with Basel, a limit is set for a minimum survival of 30 days. The structural liquidity risk is measured and limited through the net balance of stable funding, which is defined as the difference between stable liabilities and stable assets.

In addition to its own series of issued bonds, Nordea Eiendomskreditt AS has access to credit facilities from its parent bank at market rates. This means that the company's exposure to liquidity risk is low, and will be dependent in the main on Nordea's liquidity risk exposure and the credit standing of the parent bank. Nordea Eiendomskreditt AS adjusts the volume of its short-term funding on a daily basis.

Cash flow analysis

NOKm	On demand	0–3 months	3–12 months	1–5 years	>5 years	**Total**
Interest bearing financial assets	160	2,086	4,932	29,707	86,844	**123,730**
Non interest bearing financial assets					2,295	**2,295**
Total financial assets	**160**	**2,086**	**4,932**	**29,707**	**89,139**	**126,025**
Interest bearing financial liabilities	15,253	407	1,388	62,952	13,946	**93,946**
Non interest bearing financial liabilities					5,986	**5,986**
Total financial liabilities	**15,253**	**407**	**1,388**	**62,952**	**19,932**	**99,932**
Derivatives, cash inflow	0	195	859	21,176	2,026	**24,256**
Derivatives, cash outflow	0	453	946	20,445	1,585	**23,430**
Net exposure	**–**	**–258**	**–88**	**731**	**441**	**826**
Exposure	**–15,093**	**1,421**	**3,457**	**–32,514**	**69,649**	**26,919**
Cumulative exposure	**–15,093**	**–13,672**	**–10,215**	**–42,730**	**26,919**	

The table is based on contractual maturities for on balance sheet financial instruments. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the on balance sheet and derivative instruments, Nordea Eiendomskreditt has credit commitments amounting to NOK 7,773m, which could be drawn on at any time.

Capital management

Nordea strives to attain efficient use of capital through active management of the balance sheet with respect to different asset, liability and risk categories. The goal is to enhance returns to the shareholder while maintaining a prudent capital structure.

Pillar 1

Risk Weighted Assets (RWA) are calculated based on pillar 1 requirements. Nordea Eiendomskreditt had 97% of the exposure covered by Internal Rating Based (IRB) approaches by the end of 2011. For operational risk, the standardised approach is applied.

Pillar 2

Nordea bases the internal capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) on pillar 1 and pillar 2 risks, which in practice means a combination of Capital Requirements Directive (CRD) risk definitions, Nordea's Economic Capital (EC) framework and buffers for periods of economic stress.

The ICAAP describes Nordea's management, mitigation and measurement of material risks and assesses the adequacy of internal capital by defining an internal capital requirement reflecting the risk appetite of the institution.

Economic Profit (EP)

Nordea uses EP as one of its financial performance indicators. EP is calculated as risk-adjusted profit less cost of equity.

Risk-adjusted profit and EP are measures for shareholder value creation.

In investment decisions and customer relationships, EP drives and supports the right behaviour with a balanced focus on income, costs and risk. The EP model also captures both growth and return. EC and expected losses (EL) are input in the EP framework.

Capital base

Capital base (referred to as own funds in the CRD) is the sum of tier 1 capital and tier 2 capital after deductions.

Tier 1 capital is defined as capital of the same or close to the character of paid-up, capital-eligible reserves and a limited portion hybrid capital loan (perpetual loans) instruments (maximum 30% of tier 1). Profit may only be included after deduction of proposed dividend. Goodwill and deferred tax assets are deducted from tier 1.

Tier 2 comprises perpetual loans and dated loans. The total tier 2 amount may not exceed tier 1. Dated tier 2 loans may not exceed half the amount of tier 1. The limits are set after deductions, ie investment in insurance and other financial companies.

Summary of items included in the capital base

NOKm	31 Dec 2011	31 Dec 2010
Calculation of total capital base		
Equity	4,221	3,743
Proposed/actual dividend	-	-
IRB provisions excess (+)/shortfall (–)	-56	-76
Tier 1 capital (net after deduction)	**4,165**	**3,667**
– of which hybrid capital	-	-
Tier 2 capital	**780**	**-**
– of which subordinated loans	780	-
IRB provisions excess (+)/shortfall (–)	-56	-
Total capital base	**4,889**	**3,667**

Capital adequacy

The net capital base of Nordea Eiendomskreditt AS amounted to NOK 4,889 million at the end of 2011, calculated in accordance with Basel II. NOK 780 million hereof is subordinated loan.

The Tier 1 capital ratio at the close of 2011 including the transition rules was 10.7% (10.3%), and the total capital ratio including the transition rules was 12.6% (10.3%). The minimum capital requirement is 8.0%.

Further information – Note 15 Capital adequacy and the Pillar 3 report

Further information on capital management and capital adequacy is presented in Note 15 Capital adequacy and in the disclosure in accordance with the Pillar 3 requirements according to the CRD in the Basel II framework at www.nordea.com.

Internal control and risk management regarding financial reporting

The systems for internal control and risk management over financial reporting are designed to give reasonable assurance concerning reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS, applicable laws and regulations in Norway, and other requirements for listed companies. The internal control and risk management activities are included in Nordea's planning and resource allocation processes. Internal control and risk management over financial reporting in Nordea can be described in accordance with the COSO framework (Internal Control – Integrated framework, by the Committee of Sponsoring Organizations of the Treadway commission) as follows.

Control Environment

The control environment constitutes the basis for Nordea's internal control and contains the culture and values established by the Board of Directors and Executive Management. A clear and transparent organisational structure is of importance for the control environment. Nordea's business structure aims to support the overall strategy, with a strong business momentum and increased requirements on capital and liquidity. The business as well as the organization is under continuous development. The key principle of risk management in Nordea is the three lines of defence, with the first line of defence being the business organisation, the second line of defence the centralised risk group functions which defines a common set of standards and the third line of defence being the internal audit function. The second line of defence function, Accounting Key Controls (AKC), is established and the initiative aims at implementing a Nordea Group-wide system of accounting key controls to ensure that controls essential for the financial reporting are continuously identified, monitored and assessed.

Risk Assessment

The Board of Directors has the ultimate responsibility for limiting and monitoring the Nordea Group's risk exposure, and risk management is considered as an integral part of running the business. The main responsibility for performing risk assessments regarding financial reporting risks lies with the business organisation. To have the Risk Assessments performed close to the business, increases the chance of identifying the most relevant risks. In order to govern the quality, central functions stipulate in governing documents when and how these assessments are to be performed. Examples of Risk Assessments, performed at least annually, are Quality and Risk Analysis for changes, and Self Risk Assessments on divisional levels.

Control Activities
The heads of the respective units are primarily responsible for managing the risks, associated with the units' operations and financial reporting processes. This responsibility is primarily supported by the Group Accounting Manual (GAM), the Financial Control Principles and various governing bodies, as for example the Group Valuation Committee. The GAM includes a standard reporting package used by all entities to ensure consistent use of Nordea's principles and coordinated financial reporting. Fundamental internal control principles in Nordea are segregation of duties and the four-eye principle when approving e.g. transactions and authorisations. The quality assurance vested in the management reporting process, where detailed analysis of the financial outcome is performed, constitutes one of the most important control mechanisms associated with the reporting process. The reconciliations constitute another set of important controls where Nordea works continuously to further strengthen the quality.

Information & Communication
Group Functions are responsible for ensuring that the Group Accounting Manual and the Financial Control Principles are up-to-date and that changes are communicated to the responsible units. These governing documents are broken down into instructions and standard operating procedures in the responsible units. On an annual basis accounting specialists within Group Finance provide sessions for accountants and controllers in order to inform about existing and updated rules and regulations with an impact on Nordea. Matters affecting the achievement of financial reporting objectives are communicated with outside parties, where Nordea actively participates in relevant national forums, for example forums established by the Financial Supervisory Authorities, Central Banks and associations for financial institutions.

Monitoring
Nordea has established a process with the purpose of ensuring a proper monitoring of the quality of the financial reporting and the follow-up regarding possible deficiencies. The CEO annually issues a report to the Board of Directors on the quality of internal control in Nordea. This report is based on an internal controlprocess checklist and a hierarchical reporting covering the whole organisation. Internal control and risk assessment regarding financial reporting is included as one of several focus categories in this process. The Board of Directors, the Board Audit Committee, the Board Risk Committee and Group Internal Audit have an important role with regards to monitoring the internal control over financial reporting in Nordea Group. According to Norwegian law Nordea is required to have an external auditor. At the Annual General Meeting 2011 KPMG was reelected as auditor for the time period up to end of the Annual General Meeting 2012. State Authorised Public Accountant Bjarne Haldorsen is the auditor-in-charge for Nordea Eiendomskreditt AS.

Articles of association regulating the Board of Directors
New requirements in the Norwegian Accounting Act §3-3b requires the composition and nomination of the Board of Directors to be disclosed.

According to the statutes of Nordea Eiendomskreditt AS, the board comprises a minimum of 5 members who are elected by the Committee of Representatives. The chairman of the Board shall be elected by separate ballot. The elected directors serve for terms of 2 years. Each year minimum 2 and maximum 4 directors shall retire. The first time minimum half of the directors shall retire according to drawing lots, and the remaining directors shall retire the following year. If an elected director retires before the expiry of the election period, a new director shall be elected for the remaining period at the earliest opportunity. The directors may be reelected.

Further information on the composition of the Board of Directors, the Control Committee and the Committee of Representatives is disclosed in the section Governing Bodies 31 December 2011.

Personnel and working environment
At the end of 2011, Nordea Eiendomskreditt AS had 2 (2) employees. Staffing was equivalent to 1.5 (1.5) full time equivalent positions. Following the reorganisation of the company early in 2010, services related to management of the lending portfolio, customer contact, funding and risk management, accounting and reporting are now purchased from other units in the Nordea Group.

As part of the Nordea Group, the company carries out an annual survey of employee satisfaction, and attaches importance to operating with a good working environment. The company's employees are members of the personal insurance and pension schemes in NBN. Due to the limited number of employees in the company, it has not been considered necessary to implement any specific measures for gender equality.

Absence due to sickness during 2011 amounted to 0.79% (1.38%). A total of 4 (7) working days were lost to sickness in 2011. No accidents or injuries were incurred by employees while at work during the preceding year.

Information on remuneration and loans to the company's employees and officers can be found at Note 4 Staff costs.

Environmental concerns

Nordea Eiendomskreditt AS's direct impact on the external environment is limited to its use of materials and energy, and the production of services necessary for the company's business activities. In the NBN Group, there is strong focus on general reduction of costs which supports a redused use of resources and energy. The company's offices have equipment installed to reduce power consumption outside normal working hours.

Waste is as far as possible sorted according to their source material and contributes to recycling of resources.

The NBN Group has implemented guidelines for its travelling activities, and video- and telephone meetings replace physical meetings.

Legal proceedings

There has 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.

Outlook 2012

2011 has been a turbulent year, and Nordea Eiendomskreditt foresees this to continue throughout 2012. Nordea Eiendomskreditt is prepared with a robust capital position and competitive access to funding.

Nordea Eiendomskreditt AS
Oslo, 8 February 2012

Jon Brenden Chairman of the Board	Børre Gundersen Board member	Fanny Borgström Board member
Eva Jarbekk Board member	Monica Blix Board member	Marianne Glatved Managing director

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Notes to the financial statements

Income statement

NOK 1000	Note	2011	2010
Interest and related income on loans and deposits with financial institutions	20	4,169	18,712
Interest and related income on loans to customers		3,000,814	2,429,274
Other interest and related income		468	234
Total interest and related income		**3,005,451**	**2,448,220**
Interest and related expense on liabilities to financial institutions	20	335,324	204,549
Interest and related expense on securities issued	20	1,950,216	1,538,611
Interest and related expense on subordinated loan capital		4,891	3,737
Other interest and related expense		152,523	52,589
Total interest and related expense		**2,442,954**	**1,799,485**
Net interest income		**562,497**	**648,735**
Fee and commission income		35,345	28,254
Fee and commission expense	20	1,857	865
Net fee and commission income		**33,488**	**27,388**
Net result from items at fair value	3, 20	**196,615**	**3,849**
Other operating income		**0**	**215**
Total operating income		**792,600**	**680,187**
Staff costs	4, 12	2,253	4,728
Other expenses	5, 20	110,533	93,824
Total operating expenses		**112,787**	**98,552**
Profit before loan losses		**679,813**	**581,635**
Loan losses (negative figures are reversals)	6	15,789	37,239
Operating profit		**664,024**	**544,396**
Income tax expense	7	186,019	159,894
Net profit for the year		**478,005**	**384,502**
Allocated to:			
Shareholders of Nordea Eiendomskreditt AS		478,005	384,502
Total allocation		**478,005**	**384,502**
Profit per share, NOK		31,17	25,07

Statement of comprehensive income

NOK 1000	2011	2010
Net profit for the period	478,005	384,502
Other comprehensive income	0	0
Total comprehensive income	**478,005**	**384,502**
Allocated to:		
Shareholders of Nordea Eiendomskreditt AS	478,005	384,502
Total allocation	**478,005**	**384,502**

Nordea Eiendomskreditt AS
Oslo, 8 February 2012

Jon Brenden
Chairman of the Board

Børre Gundersen
Board member

Fanny Borgström
Board member

Eva Jarbekk
Board member

Monica Blix
Board member

Marianne Glatved
Managing director

Balance sheet

NOK 1000	Note	31 Dec 2011	31 Dec 2010
Assets			
Loans to credit institutions, payable on demand	20	153,593	100,462
Total loans to credit institutions		**153,593**	**100,462**
Loans to the public		88,581,720	80,786,415
Allowance for individually assessed loans	6, 8	-11,264	-7,359
Allowance for collectively assessed loans	6, 8	-33,000	-28,800
Net loans to the public		**88,537,456**	**80,750,256**
Deferred tax assets	7	0	0
Total intangible assets		**0**	**0**
Derivatives	9, 20	1,706,490	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	10	425,744	75,957
Other assets		0	578
Total other assets		**2,132,234**	**76,535**
Accrued income and prepaid expenses		**159,572**	**126,459**
Total assets		**90,982,855**	**81,053,711**
Liabilities and equity			
Deposits by credit institutions, fixed term		15,250,000	17,600,000
Total deposits by credit institutions	11, 20	**15,250,000**	**17,600,000**
Debt securities in issue	11, 20	**68,966,576**	**59,271,440**
Derivatives	9, 20	634,596	479,320
Fair value changes of the hedged items in portfolio hedge of interest rate risk	10	618,062	-282,168
Current tax liabilities	7	119,166	153,794
Other liabilities		2,246	712
Total other liabilities		**1,374,070**	**351,658**
Accrued expenses and prepaid income	**20**	**354,975**	**83,443**
Provisions		374	0
Retirement benefit obligations	12	2,135	2,286
Deferred tax	7	33,792	1,955
Total provisions for other liabilities and expenses		**36,301**	**4,241**
Subordinated loan capital		780,000	0
Total subordinated liabilities	11, 20	**780,000**	**0**
Share capital	20	1,533,627	1,533,627
Retained earnings		2,687,307	2,209,302
Total		**4,220,934**	**3,742,929**
Total liabilities and equity		**90,982,855**	**81,053,711**
Note 16, 17, 18, 19			
Assets pledged as security for own liabilities	13	84,222,425	77,838,376
Contingent liabilities	14, 21	3,921	4,724
Commitments	14	7,773,113	7,824,555

Statement of changes in equity

NOK 1000	Share capital [1)]	Retained earnings	Total equity
Opening balance at 1 Jan 2011	**1,533,627**	**2,209,302**	**3,742,929**
Group contribution		0	0
Total comprehensive income		478,005	478,005
Closing balance at 31 December 2011	**1,533,627**	**2,687,307**	**4,220,934**

NOK 1000	Share capital [1)]	Retained earnings	Total equity
Opening balance at 1 Jan 2010	**1,533,627**	**1,227,199**	**2,760,826**
Group contribution		597,600	597,600
Total comprehensive income		384,502	384,502
Closing balance at 31 December 2010	**1,533,627**	**2,209,302**	**3,742,929**

[1] The company's share capital at 31 December 2011 was NOK 1.533.626.900,–. The number of shares was 15.336.269, each with a quota value of NOK 100,–. 100 percent of the shares are owned by Nordea Bank Norge ASA.

Cash flow statement

NOK 1000	2011	2010
Operating activities		
Operating profit before tax	664,024	544,396
Income taxes paid	-188,810	-159,894
Change in write-downs to provide for loan losses	8,105	36,159
Cash flow from operating activities before changes in op. assets and liab.	**483,319**	**420,661**
Changes in operating assets and liabilities		
Change in loans to the public	-7,795,305	-80,729,225
Change in debt securities in issue	9,695,136	59,271,440
Change in deposits by credit institutions	-2,350,000	17,540,160
Change in other receivables	-2,088,812	23,420
Change in other liabilities	1,328,793	320,986
Cash flow from operating activities	**-726,869**	**-3,152,557**
Investing activities		
Purchase/sale of tangible fixed assets	0	0
Change in loans and receivables to credit institutions, fixed terms	0	3,147,000
Change in holdings of bearer bonds issued by others	0	0
Cash flow from investing activities	**0**	**3,147,000**
Financing activities		
Group contribution/dividend paid	0	597,600
Change in subordinated loan capital	780,000	-500,000
Recognised directly in equity	0	0
Cash flow from financing activities	**780,000**	**97,600**
Cash flow for the year	**53,131**	**92,043**
Cash and cash equivalents at 1 January	100,462	8,419
Cash and cash equivalents at 31 December	153,593	100,462
Change	**53,131**	**92,043**

Comments on the cash flow statement

The cash flow statement shows inflows and outflows of cash and cash equivalents during the year, and is prepared in accordance with the indirect method. This means that operating profit is adjusted for the effects of non-cash transactions such as loan losses. Cash flow is broken down into 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 for the year. The adjustment for items not included in cash flow for 2011 relates solely to changes in provisions for losses. Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as loans and receivables, short-term funding and debt securities issued. Changes in derivatives are included in the items 'Change in other receivables' and 'Change in other liabilities'.

Financing activities are activities that result in changes in equity and subordinated liabilities, such as group contribution paid or received**.**

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. Basis for presentation

The annual accounts of Nordea Eiendomskreditt AS have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the EU. In addition, certain complementary rules in the Norwegian Accounting Act with supported regulation have also been applied. The disclosures required by the standards and legislation above are included in the notes to the accounts, in the Risk, Liquidity and Capital Management section or in other parts of the Financial statements.

On 8 February 2012 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 7 March 2012.

2. Changes to accounting principles and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2010 Annual Report.

Changes in IFRSs implemented 2011

The IASB has amended IAS 24 Related Party Disclosures (Relationships with the state) , IAS 32 Financial Instruments: Presentation (Rights issues) and IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction as well as published Improvements to IFRSs 2010 and IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. These amended and published standards and improvements are effective for Nordea as from 1 January 2011, but have not had any significant impact on 2011. The amendment of IAS 32 may affect possible future rights issues involving different currencies, whilst the amendments to IAS 24 and IFRIC 14 as well as the published Improvements to IFRSs 2010 and IFRIC 19 are not expected to have a significant impact on subsequent periods.

Changes in IFRSs not yet effective for Nordea Eiendomskreditt

IFRS 9 Financial instruments (Phase 1)

In 2009 IASB published a new standard on financial instruments. The standard is the first step in the replacement of IAS 39 Financial instruments: Recognition and Measurement and this first phase covers classification and measurement of financial assets and liabilities. The effective date for Nordea Eiendomskreditt is as from 1 January 2015, but earlier application is permitted. The EU commission has not endorsed this standard for implementation in 2011.

The tentative assessment is that there will be an impact on the financial statements as the new standard will decrease the number of measurements categories and therefore have an impact on the presentation and disclosures covering financial instruments. The new standard is, on the other hand, not expected to have a significant impact on Nordea Eiendomskreditt's income statement and balance sheet as the mixed measurement model will be maintained. No significant reclassifications between fair value and amortised cost or impact on the capital adequacy are expected, but this is naturally dependent on the financial instruments in Nordea's balance sheet at transition.

Nordea Eiendomskreditt has, due to the fact that the standard is not yet endorsed by the EU commission, not finalised the investigation of the impact on the financial statements in the period of initial application or in subsequent periods.

IFRS 13 Fair Value Measurement

IASB has published IFRS 13. The effective date for Nordea Eiendomskreditt is as from 1 January 2013, but earlier application is permitted. The EU commission has not endorsed this standard for implementation in 2011.

The tentative assessment is that the new standard will not have a significant impact on Nordea Eiendomskreditt's financial statements nor on its capital adequacy. Nordea Eiendomskreditt has, due to the fact that the standard is not yet endorsed by the EU commission, not finalised the investigation of the impact on the financial statements in the period of initial application or in subsequent periods.

IAS 19 Employee Benefits
IASB has amended IAS 19. The effective date for Nordea Eiendomskreditt is as from 1 January 2013, but earlier application is permitted. The EU commission has not endorsed this amendment for implementation in 2011.

Nordea Eiendomskreditt only has two members of the pension scheme, and the amendments will have limited effect, stipulated to NOK 1.4m as per 31 December 2011.

Other forthcoming changes in IFRSs
IAS 1 Presentation of Financial Statements has been amended. The amended standard changes the presentation of other comprehensive income. The effective date for Nordea Eiendomskreditt is as from 1 January 2013, but earlier application is permitted. The EU commission has not endorsed this standard for implementation in 2011.

IFRS 7 Financial instruments: Disclosures has been amended and will lead to additional disclosures around transferred assets. The effective date for Nordea Eiendomskreditt is as from 1 January 2012, but earlier application is permitted. The EU commission has endorsed this standard for implementation in 2011.

IAS 32 "Financial Instruments: Presentation" has been amended. The change relates to offsetting of financial assets and financial liabilities. The amendment is not intended to change the criteria for offsetting, but to give additional guidance on how to apply the existing criteria. IFRS 7 "Financial instruments: Disclosures" has furthermore been amended and will lead to additional disclosures around offsetting of financial assets and financial liabilities. The effective date for Nordea Eiendomskreditt is as from 1 January 2014 for amendments to IAS 32 and from 1 January 2013 for amendments to IFRS 7, but earlier application is permitted. The EU commission has not endorsed these amendments for implementation in 2011.

The abovementioned amended standards, and interpretation not yet adopted, within the section Other forthcoming changes in IFRSs, are not, in the period of initial application or in subsequent periods, expected to have any significant impact on the financial statements, apart from on disclosures, nor on the capital adequacy.

3. Critical judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of estimates and assumptions by management. The estimates are based on past experience and assumptions that management believes are fair and reasonable. These estimates and the judgement behind them affect the reported amounts of assets, liabilities and off-balance sheet items, as well as income and expenses in the financial statements presented. Actual outcome can later, to some extent, differ from the estimates and the assumptions made.

The use of estimates that affect the income statement and balance sheet of Nordea Eiendomskreditt relate in particular to:

- fair value measurement of financial instruments (hedging portfolio)
- impairment testing of lending to customers
- actuarial calculations of pension liabilities

Fair value measurement of certain financial instruments
When determining the fair value of financial instruments that are not stock exchange listed or for which no recently observed market price is available, critical judgement is exercised in respect of the choice of valuation techniques, the determination of observable market parameters and relevant risk factors.

See also the separate section 8 Determination of fair value of financial instruments and Note 17 Assets and liabilities at fair value.

Impairment testing on loans to the public
When testing individual loans for impairment, the most critical judgement, containing the highest uncertainty, relates to the estimation of the most probable future cash flows generated from the customer.

When testing a group of loans collectively for impairment, the key aspect is to identify the events and/or the observable data that indicate that losses have been incurred in the group of loans. Assessing the net present value of the cash flows generated by the customers in the group contains a high degree of uncertainty when using historical data and the acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

See also the separate section 10 Loans to the public/credit institutions and Note 8 Loans and their impairment.

Actuarial calculations of pension liabilities and plan assets related to employees
The Projected Benefit pension Obligation (PBO) for major pension plans is calculated by external actuaries

using demographic assumptions based on the current population. As a basis for these calculations a number of actuarial and financial parameters are used. The most important financial parameter is the discount rate. Other parameters like assumptions about salary increases and inflation are based on the expected long-term development of these parameters. The fixing of these parameters at year-end is disclosed in Note 12 Retirement benefit obligations.

The major part of the assets covering the pension liabilities is invested in liquid assets and valued at market price at year-end. The expected return on plan assets is fixed taking into account the asset composition and based on long-term expectations on the return on the different asset classes. The expected return is also disclosed in Note 12 Retirement benefit obligations.

See also the separate section 12 Employee benefits.

4. Recognition of operating income and impairment

Net interest income

Interest income and interest expense are calculated and recognised based on the effective interest rate method or, if considered appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Interests on derivatives used for hedging are recognised in Net interest income, as well as fees that are considered to be an integral part of the effective interest rate of a financial instrument.

Net fee and commission income

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

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

Net result from items at fair value

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

Realised gains and losses from financial instruments measured at amortised cost, such as interest compensation received and realised gains/losses on buy-backs of issued own debt, are recognised in Net result from items at fair value.

Net result from items at fair value includes also losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss. Impairment losses from instruments within other categories are recognised in the items Net loan losses (see also the sub-section Net loan losses below).

Net loan losses

Impairment losses from financial assets classified into the category Loans and receivables (see section 9 Financial instruments), in the item Loans to the public in the balance sheet, are reported as Net loan losses. The Nordea Group's accounting policies for the calculation of impairment losses on loans can be found in section 10 Loans to the public.

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.

5. Recognition and derecognition of financial instruments in the balance sheet

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised from the balance sheet on the trade date. Other financial instruments are recognised on the balance sheet on settlement date.

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

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

6. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity is decided based upon the primary economic environment in which the entity operates. 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 only has items in USD in addition to Norwegian kroner. As at 31.12.2011 the exchange rate was 5.9927.

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

7. Hedge accounting

IAS 39 includes principles and rules concerning accounting for hedging instruments and the underlying hedged item, so-called hedge accounting. Nordea applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities. The EU carve out macro hedging enables a group of derivatives (or proportions thereof) to be viewed in combination and designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

The hedge accounting policy within the Nordea Group has been developed to fulfil the requirements set out in IAS 39. Nordea Eiendomskreditt uses hedge accounting in order to have a symmetrical accounting treatment of the changes in fair value of the hedged item and changes in fair value of the hedging instruments. The overall purpose is to have a true and fair presentation of the company's economical hedges in the financial statements. The overall operational responsibility to hedge positions and for hedge accounting lies within Group Treasury in the Nordea Group.

There are three forms of hedge accounting:

- Fair value hedge accounting
- Cash flow hedge accounting
- Hedges of net investments

Fair value hedge accounting

Nordea Eiendomskreditt only applies fair value hedge accounting. Fair value hedge accounting is used when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk. The risk of changes in fair value of assets and liabilities in Nordea Eiendomskreditt's financial statements originates from loans with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged will be recognised separately in the income statement in the item Net result on items at fair value. Given an effective hedge, the two changes in fair value will more or less balance, meaning the net result will be close to zero. The changes in 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 item in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item Fair value changes of the hedged items in portfolio hedge of interest rate risk in the balance sheet.

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

Hedged items

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

Hedging instruments

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

Hedge effectiveness

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

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

If the hedge relationship does not fulfil the requirements, hedge accounting will be terminated. The change in the unrealised value of the derivatives will, prospectively from the last time it was last proven effective, be accounted for in the income statement. For fair value hedges, the change in the fair value on 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.

8. Determination of fair value of financial instruments

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

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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 financial assets and financial liabilities.

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. Valuation techniques can range from 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. Nordea Eiendomskreditt is using valuation techniques to establish fair value for OTC-derivatives.

Fair value is calculated as the theoretical net present value of the individual contracts, based on independently sourced market parameters and assuming no risks and uncertainties. This calculation is supplemented by a portfolio adjustment. The portfolio adjustment covers uncertainties associated with the valuation techniques, model assumptions and unobservable parameters as well as the portfolio's counterparty credit risk and liquidity risk.

The portfolio adjustment for counterparty risk in OTC-derivatives is based on the current exposure towards each counterpart, the estimated potential future exposure as well as an estimate of the cost of hedging the counterparty risk. This cost of hedging is either based directly on market prices (where available) or on a theoretical calculation based on the internal credit rating of the counterpart.

For financial instruments, where 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 considers data that can be collected from generally available external sources and where this data is judged to represent realistic market prices. If non-observable data has a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument. The deferred upfront gains are subsequently released to income if the non-observable data becomes observable.

Note 17 Assets and liabilities at fair value provides a breakdown of fair values of financial instruments measured on the basis of :

- quoted prices in active markets for the same instrument (level 1),
- valuation techniques using observable data (level 2), and
- valuation techniques using non-observable data (level 3).

The valuation models applied by the Nordea 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 Group Credit and Risk Control and all models are reviewed on a regular basis.

9. Financial instruments

Classification of financial instruments

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

Financial assets:

- Financial assets at fair value through profit or loss
- Loans and receivables

Financial liabilities:

- Financial liabilities at fair value through profit or loss
- Other financial liabilities

The classification of financial instruments into different categories forms the basis for how each instrument is measured in the balance sheet and how changes in its value are recognised. In Note 16 Classification of financial instruments the classification of the financial instruments in Nordea's balance sheet is presented into different categories.

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section 10 Loans to the public.

Other financial liabilities

Financial liabilities, other than those classified into the category Financial liabilities at fair value through profit or loss, are measured at amortised cost. Interest from Other financial liabilities is recognised in the item Interest expense in the income statement.

Derivatives

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

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

10. Loans to the public

Financial instruments classified as Loans to the public in the balance sheet and into the category Loans and receivables not measured at fair value, are measured at amortised cost (see also the separate section 5 Recognition and derecognition in the balance sheet as well as Note 16 Classification of financial instruments).

Nordea monitors loans and receivables as described in the separate section on Risk, Liquidity and Capital management. Loans attached to individual customers or groups of customers are identified as impaired if the impairment tests indicate an objective evidence of impairment.

Impairment test of individually assessed loans

Nordea tests significant loans for impairment on an individual basis. The purpose of the impairment tests is to find out if the loans have become impaired. As a first step in the identification process for impaired loans, Nordea monitors whether there are indicators for impairment (loss event) and whether these loss events represent objective evidence of impairment. More information on the identification of loss events can be found in the Risk, Liquidity and Capital Management section in the Board of Directors report.

In the process to conclude whether there is objective evidence of impairment, an assessment is performed to estimate the most probable future cash flows generated by the customer. These cash flows are then discounted by the effective interest rate giving the net present value. Collaterals received to mitigate the credit risk will be assessed at fair value. If the carrying amount of the loan is higher than the net present value of the estimated future cash flows, including the fair value of the collaterals, the loan is impaired.

Loans that are not individually impaired will be transferred to a group of loans with similar risk characteristics for a collective impairment test.

Impairment test of collectively assessed loans

All loans not impaired on an individual basis are collectively assessed for impairment, including individually insignificant loans. This means that significant loans not impaired on an individual level and insignificant loans that have not been tested on an individual level are collectively tested for impairment. The loans are grouped on the basis of similar credit risk characteristics that are indicative of the debtors´ ability to pay all amounts due according to the contractual terms. Nordea monitors its portfolio through rating migrations, the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes Nordea identifies loss events indicating incurred losses in a group. A loss event is an event resulting in a deterioration of the expected future cash flows. Only loss events incurred up to the reporting date are included when performing the assessment of the group.

The objective for the group assessment process is to evaluate if there is a need to make a provision due to the fact that a loss event has occurred, but not yet affected the cash flow from the group of loans. This period between the date when the loss event occurred and the date when it is identified on an individual basis is called Emergence period. The impairment remains related to the group of loans until the losses have been identified on an individual basis. The identification of the loss is made through a default of the engagement or by other indicators.

The collective assessment is performed through a netting principle, i.e. when scored engagements are up-rated due to estimated increases in cash flows, this improvement will be netted against losses on loans that are down-rated due to estimated decreases in cash-flows. Netting is only performed within groups with similar risk characteristics where Nordea assesses that the customers' future cash flows are insufficient to serve the loans in full.

Impairment loss

If the carrying amount of the loans is higher than the sum of the net present value of estimated cash flows, including the fair value of the collaterals, the difference is the impairment loss.

If the impairment loss is not regarded as final, the impairment loss is accounted for on an allowance account representing the accumulated impairment losses. Changes in the credit risk and accumulated impairment losses are accounted for as changes in the allowance account and as Net loan losses in the income statement (see also section 4 Recognition of operating income and impairment).

If the impairment loss is regarded as final, it is reported as a realised loss. A realised loss is recognised and the value of the loan and the related allowance for impairment loss are derecognised with a corresponding gain or loss recognised in the line item Net loan losses in the income statement. 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 forfeits its claims either through a legal based or voluntary reconstruction or when Nordea, for other reasons, deems it unlikely that the claim will be recovered.

Discount rate

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

Restructured loans
In this context a restructured loan is defined as a loan where Nordea has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for Nordea. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. Concessions made in reconstructions are regarded as final losses unless Nordea retains the possibility to regain the realised loan losses incurred. In the event of a recovery the payment is reported as a recovery of realised loan losses.

Assets taken over for protection of claims
Repossessed properties are valued at the estimated realisable market value when repossessed. The realisable market value of such properties is monitored continuously, and any reductions in value are recognised as realised loan losses.

11. Tax

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

Current tax is the expected tax expense on the taxable income for the year, using nominal tax rate, and any adjustment to tax payable in respect of previous years.

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

Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised to the extent that it is considered likely that they can be applied against future earnings. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Current tax assets and current tax liabilities are offset when the legal right to offset exists.

12. Employee benefits

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

Short-term benefits
Short-term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea Eiendomskreditt. For further information see Note 4 Staff costs.

Post-employment benefits
Pension plans
The company's liabilities in respect of its retirement benefit obligations to its employees are mainly funded through a group retirement benefit scheme.

Pension costs
Technical insurance principles are applied to calculate the present value of estimated future retirement benefit entitlements in accordance with IAS 19 Employee benefits. The estimated accrued liability is compared with the accrued value of pension fund investments. The difference is recognised under 'Provisions for other liabilities and expenses' (if negative) or under 'Prepaid expenses and accrued income' (if positive).

Retirement benefit obligations not covered by the group retirement benefit scheme are calculated and entered in the balance sheet in the same way. The pension cost for the year and the capitalised value of retirement benefit obligations are shown in Note 12 Retirement benefit obligations.

When actuarial gains or losses (experience adjustments) exceed a 'corridor', equivalent to 10% of the higher of gross pension obligations and the value of pension assets, the difference is recognized to income over a period of 10 years or over the expected remaining average period of employment if this is shorter than 10 years.

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by the plan.

Discount rate in defined benfit plans
According to IAS 19 the discount rate shall be determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. In Norway, where no such market exists, the discount rate is determined by reference to government bond yields.

13. Related party transactions

Nordea Eiendomskreditt defines related parties as:
- Shareholders with significant influence
- Other Nordea Group companies
- Key management personnel

Shareholders with significant influence
Nordea Bank Norge ASA owns 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 AB (publ) and its subsidiaries.

Key management personnel
Key management personnel includes the following positions:
- The Board of Directors
- The Chief Executive Officer (CEO)
- The Control Committee
- The Board of Representatives.

For information about key management personnel and their compensation, see the section 'Governing bodies' and Note 4 Staff costs.

Group internal transactions between legal entities are performed according to arm's length principles in conformity with OECD requirements on transfer pricing.

Information on transactions between Nordea Eiendomskreditt and other companies in the group is provided in Note 19 Related-party transactions.

Note 2:
Segment information

The activities of Nordea Eiendomskreditt represent a single segment. This is a result of the manner in which the company is organised and managed, including the system for internal reporting whereby the business to all practical purposes is managed as a single segment. The services provided by Nordea Eiendomskreditt are judged to be subject to the same risks and yield requirements. Nordea Eiendomskreditt is part of the Retail Banking segment of the Nordea Bank Norge group.

Note 3:
Net result from items at fair value

NOK 1000	2011	2010
Shares		
Interest-bearing securities	214,600	0
Other financial instruments	-17,985	3,861
Foreign exchange gains/losses	0	-12
Total	**196,615**	**3,849**

Net gains/losses for categories of financial instruments

NOK 1000	2011	2010
Foreign currency derivatives	0	-12
Financial instruments held for trading	0	0
Financial instruments under hedge accounting	-17,985	3,861
- of which net losses on hedged items	-512,420	358,125
- of which net gains on hedging instruments	494,435	-354,264
Other financial liabilities	214,600	0
Total	**196,615**	**3,849**

Note 4:
Staff costs

NOK 1000	2011	2010
Salary and remuneration	1,849	3,900
Pension costs (note 12)	161	440
Social security contribution	251	239
Allocation to profit-sharing	12	23
Other staff costs	-20	127
Total	**2,253**	**4,728**
Number of employees at 31 Dec	2	2
Number of full time equivalents at 31 Dec	1.5	1.5
Loans to the Chairman of the Committee of Representatives , members of the Board and Control Committee, or to companys where such persons are officers/board members	0	0
Auditor's fee (statutory audit and half-year review)	2,274	540
- of which ordinary audit fee	399	540
-of which other services	1,875	-

Remuneration to senior executives

Fixed salary and fees - relates to received regular salary for the financial year paid by Nordea Eiendomskreditt AS.
Variable salary - includes profit sharing and executive bonuses. All employees receive profit sharing according to common Nordea strategy.
Benefits - includes insurance and electronic communication allowance.
Pensions - includes changes in the individual's accrued rights under the pension plan during the financial year. The amount stated is the annual change in the present value of the pension obligations (PBO) exclusive of social security tax, which best reflects the change in pension rights for the financial year.

Executive management of Nordea Eiendomskreditt AS	**Fixed salary and fees**	**Variable salary**	**Other benefits**	**Pensions**	**Total remunerations**
Marianne Glatved, Managing director	934	155	23	195	1,307
Total for the executive management	**934**	**155**	**23**	**195**	**1,307**
Board of Directors of Nordea Eiendomskreditt AS					
Eva I. E. Jarbekk	60				60
Monica Blix	60				60
Total for the directors of Nordea Eiendomskreditt AS	**120**	**-**	**-**	**-**	**120**

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 2011 for services provided in 2010.

Control Committee of Nordea Eiendomskreditt AS					
Anders Ingebrigtsen, chairman	78				78
Thorleif Haug	54				54
Berit Stokke	54				54
Tom Knoff	54				54
Total for the Control Committee of Nordea Eiendomskreditt AS	**240**	**-**	**-**	**-**	**240**
Total remuneration of executive management and elected officers of Nordea Eiendomskreditt AS	**1,294**	**155**	**23**	**195**	**1,667**

Loans to employees are made from the balance sheet of Nordea Bank Norway.
The company has not entered into any agreements that entitle the Managing Director or the Chairman of the Board to spesific compensation in the event of any change in their employment or office.

Note 5:
Administration expenses and other expenses

NOK 1000	2011	2010
Services bought from Group companies	100,635	90,229
– hereof related to administration of the lending portfolio	91,005	81,095
– hereof related to treasury services	8,180	7,285
– hereof related to accounting and reporting services	1,408	1,817
– hereof other costs	42	32
Consulting	9,124	2,504
Auditors' fee	399	540
Other operating expenses	375	551
Total	**110,533**	**93,824**

Note 6:
Loan losses

NOK 1000	2011	2010
Specification of changes in loan losses		
Change in allowances for individually assessed loans	3,905	7,359
Change in allowances for collectively assessed loans	4,200	28,800
Realised loan losses in the period	7,711	1,115
Recoveries of loan losses realised previous years	–27	–35
Total loan losses for the year	**15,789**	**37,239**
Specification of allowances for individually assessed loans [1]		
Opening balance at 1 January	7,359	0
Increased and new allowances this year	11,147	8,208
Allowances used to cover write-offs	–6,298	–828
Reversals of allowances made in previous years	–944	–20
Closing balance at 31 December	**11,264**	**7,359**

[1] Included in Note 8 Loans and impairment.

Key ratios	**2011**	**2010**
Loan loss ratio [2]	0.02%	0.05%
– of which individual	0.01%	0.01%
– of which collective	0.01%	0.04%

[2] Net loan losses divided by average balance of loans to the public (lending), calculated on a monthly basis.

Note 7:
Taxes

Income tax expense for the year

NOK 1000	2011	2010
Current tax	119,166	153,794
Deferred tax	66,853	6,099
Total	**186,019**	**159,893**

Calculation of income tax expense

NOK 1000	2011	2010
Profit before tax	664,024	544,396
Tax calculated at a tax rate of 28%	185,927	152,431
Non-deductable expenses	92	2,072
Tax exempt income		
Dissolution of temporary differences	0	5,391
Total tax charge	**186,019**	**159,893**
Average effective tax rate	28.0 %	29.4 %

Deferred tax

NOK 1000	2011	2010
Deferred tax expense (–) / income (+)		
Deferred tax due to temporary differences	-66,853	-6,099
Tax expense, net	**-66,853**	**-6,099**
Deferred tax assets, net		
Deferred tax assets due to tax losses		
Deferred tax assets due to temporary differences:		
- Retirement benefit obligations	702	771
- Financial instruments [1]	-33,178	33,935
- Other	-1,316	-1,645
Deferred tax assets (+) / deferred tax liabilities (–), net	**-33,792**	**33,061**

[1] A reclassification of temporary differences related to financial instruments for 2010 has been done.

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 related to the same fiscal authority.
Deferred tax totalling tnok 33.792 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 31.12.2011.

Note 8:
Loans and impairment

NOK 1000	31 Dec 2011	31 Dec 2010
Loans and receivables, not impaired	88,540,253	80,759,146
Impaired loans and receivables;	41,467	27,269
– Performing	8,279	5,671
– Non-performing	33,188	21,599
Loans and receivables before allowances	**88,581,720**	**80,786,415**
Allowances for individually assessed impaired loans;	–11,264	–7,359
– Performing	–2,153	–1,735
– Non-performing	–9,111	–5,624
Allowances for collectively assessed impaired loans	–33,000	–28,800
Allowances	**–44,264**	**–36,159**
Loans and receivables, book value	**88,537,456**	**80,750,256**

Ramaining maturity	**31 Dec 2011**	**31 Dec 2010**
Payable on demand	62,379	16,372
Maximin 3 months	383,513	204,911
3–12 months	342,500	101,914
1–5 years	7,818,661	3,866,544
More than 5 years	79,930,403	76,560,514
Total	**88,537,456**	**80,750,256**

Reconciliation of allowance accounts for impaired loans[1]

NOK 1000	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2011	**7,359**	**28,800**	**36,159**
Provisions	11,147	24,800	35,947
Reversals	–944	–20,600	–21,544
Changes through the income statement	**10,203**	**4,200**	**14,403**
Allowances used to cover write-offs	–6,298	0	–6,298
Closing balance at 31 Dec 2011	**11,264**	**33,000**	**44,264**

NOK 1000	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2010	**0**	**0**	**0**
Provisions	8,208	46,000	54,208
Reversals	–20	–17,200	–17,220
Changes through the income statement	**8,187**	**28,800**	**36,987**
Allowances used to cover write-offs	–828	0	–828
Closing balance at 31 Dec 2010	**7,359**	**28,800**	**36,159**

[1] See Note 6 Loan losses

Key ratios

	31 Dec 2011	31 Dec 2010
Impairment rate, gross[2], in %	0.05	0.03
Impairment rate, net[3], in %	0.03	0.02
Total allowance rate[4], in %	0.05	0.04
Allowance rate, impaired loans[5], in %	27.20	27.00
Total allowances in relation to impaired loans, %	106.70	133.00
Non-performing loans, not impaired[6], in NOK 1000	186,285	110,372

[2] Individually assessed impaired loans and receivables before allowances divided by total loans and receivables before allowances, %.

[3] Individually assessed impaired loans and receivables after allowances divided by total loans and receivables before allowances, %.

[4] Total allowances divided by total loans and receivables before allowances, %.

[5] Allowances for individually assessed impaired loans and receivables divided by individually assessed impaired loans and receivables before allowances, %.

[6] Past due loans and receivables, not impaired due to future cash flows (included in Loans and receivables, not impaired).

Note 9:
Derivatives and hedge accounting

31 Dec 2011

NOK 1000	Fair value Positive	Fair value Negative	Total nominal amount
Derivatives used for hedge accounting:			
Interest rate swaps	471,213	634,596	33,370,470
Total	**471,213**	**634,596**	**33,370,470**
Foreign exchange derivatives:			
Currency and interest rate swaps	1,235,277		16,758,875
Total	**1,235,277**	**0**	**16,758,875**
Total derivatives	**1,706,490**	**634,596**	**50,129,345**

31 Dec 2010

NOK 1000	Fair value Positive	Fair value Negative	Total nominal amount
Derivatives used for hedge accounting:			
Interest rate swaps		479,320	11,210,000
Total	**0**	**479,320**	**11,210,000**
Foreign exchange derivatives:			
Currency and interest rate swaps			
Total	**0**	**0**	**0**
Total derivatives	**0**	**479,320**	**11,210,000**

Note 10:
Fair value changes of the hedged items in portfolio hedge of interest rate risk

Assets

NOK 1000	2011	2010
Booked unrealised gain/loss at beginning of the year	75,957	0
Revaluation of hedged items during the year	349,788	75,957
Booked unrealised gain/loss at end of the year	**425,744**	**75,957**
Whereof expected maturity later than 1 year	101,741	70,460

Liabilities

NOK 1000	2011	2010
Booked unrealised gain/loss at beginning of the year	–282,168	0
Revaluation of hedged items during the year	900,230	–282,168
Booked unrealised gain/loss at end of the year	**618,062**	**–282,168**
Whereof expected maturity later than 1 year	215,769	–282,168

Note 11:
Debt securities in issue and loans from financial institutions

NOK 1000 (nominal values)	31 Dec 2011	31 Dec 2010
Loans and deposits from financial institutions for a fixed term	15,250,000	17,600,000
Bond loans issued in Norwegian kroner	89,250,000	65,000,000
Holdings of own bonds in Norwegian kroner	-37,841,500	-5,675,000
Bond loans issued in US dollars (in NOK)	17,978,205	
Subordinated loan	780,000	
Total	**85,416,705**	**76,925,000**
Maturity information		
Maximum 1 year	15,250,000	17,600,000
More than 1 year	70,166,705	59,325,000
Total	**85,416,705**	**76,925,000**

Note 12:
Retirement benefit obligations

Pension plans
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 requirements by this act. The company has funded its pension obligations through Nordea Norge Pensjonskasse (Nordea Norge Pension Fund), which is administered and managed by Gabler Wassum AS. The company also has retirement benefit obligations in connection with supplementary pensions and early retirement pensions, which are not funded through the Nordea Norge Pension Fund. The pension schemes encompass 2 people (2), of whom 0 (0) received pension as at 31 December 2011. The average member age in the pension schemes is 52 (51). The existing defined benefit scheme is closed for new employees with effect from 2011, and new employees will instead be entitled to pension arrangements based on a new defined contribution pension scheme. Defined contribution pension schemes are not recognised in the balance sheet unless accrued rights have not yet been paid.

Defined benefit plans
IAS 19 secures that the market based value of pension obligations net of assets backing these obligations will be reflected in Nordea Eiendomskreditt's balance sheet. The plan in Nordea Eiendomskreditt is a defined benefit plan. The major plans are funded schemes covered by assets in Nordea Norge Pensjonskasse. Supplementary pensions and early retirement pensions that are not funded, are recognised directly on the balance sheet as a liability. Actuarial gains/losses arising from changed assumptions or deviation between expected and actual return on assets may not be recognised in the balance sheet at once, but will be recognised over a fixed period of 10 years if they in total exceeded 10% of gross pension liabilites or assets in the previous reporting period.

The ordinary retirement age is 67. The scheme carries, based on present social security regulations, an entitlement to an old age pension corresponding to 66 per cent of pensionable income at the time of retirement. The amount is reduced correspondingly in the event of less than 30 years' service at the time of retirement. From the age of 67 onwards pensions paid by Nordea Eiendomskreditt are coordinated with those paid under the National Insurance Scheme.

Changes in pension plans
Nordea Norge decided to make changes in the pension plans as from 1 January 2011 to align the existing DBPs with the common market practice. The defined benefit plans are closed as from 2011 and a defined contribution plan arrangement has been introduced. All new employees starting 1 January 2011 or later will receive pensions based on the new DCP arrangement. During the last quarter in 2010 existing employees were given the option to transfer to the new DCP or stay in the DBP with benefits reduced from 70 to 66 percent of the final salary for pension rights earned as from 1 January 2011. In addition the employees will not earn spouse pension as from 2011 and changes are made to disability pensions as part of the modernising process. The curtailment gain was recognised in 2010.

The Nordea Bank Norge Annual Report at www.nordea.com provides further information on the changes.

IAS 19 Pension calculations and assumptions
Calculations on all plans are performed by external liability calculators and are based on the actuarial assumptions fixed for all of Nordea Bank Norge Group's pension plans.

Note 12:
Retirement benefit obligations cont.

Assumptions	2011	2010
Discount rate	3.0 %	4.0 %
Salary increase	3.0 %	3.5 %
Inflation	2.0 %	2.0 %
Expected return on assets before taxes	4.0 %	5.5 %
Expected adjustments of current pensions	2.5 %	2.5 %
Expected adjustments of basic Social Security	4.0 %	3.0 %

The expected return on assets is based on long-term expectations for return on the different asset classes. On bonds, this is linked to the discount rate while equities and real estate have an added risk premium.

Asset composition

The combined return on assets held by the Nordea Norge Pension Fund in 2011 was 2.6% (7.9%) mainly reflecting the general negative development in the market. At the end of the year, the equity exposure in the pension fund represented 17% (15%) of total assets.

Asset composition in Nordea Norge Pension Fund

	2011	2010
Equity	17%	15%
Bonds	66%	68%
Real estate	17%	17%

Defined benefit pension liabilities – balance sheet

None of the company's pension schemes was over-funded at the close of the year, and excess pension assets therefore amounted to NOK 0 mill. (NOK 0 mill.), while net recognised pension liabilities amounted to NOK 2.1 mill. (NOK 2.3 mill.).

Amounts recognised in the balance sheet at 31 December

NOK 1000	2011	2010
PBO (present value of pension obligations) (incl. soc. sec. tax)	6,273	4,660
Assets	2,726	2,124
Funded status – surplus/deficit (–)	**–3,547**	**–2,536**
Unrecognised actuarial gains(–)/losses	1,413	251
Unrecognised past service costs		
Funded status in the balance sheet	**2,134**	**2,285**
Of which		
retirement benefit assets	0	0
retirement benefit obligations	2,134	2,285
– whereof related to unfunded plans (PBO)	1,319	1,328

The development in the PBO, the actuarial gains and losses as well as the value of assets are highlighted below.

Changes in the PBO

NOK 1000	2011	2010
PBO at 1 January	4,378	83,174
Service cost	169	195
Interest cost	175	249
Pensions paid	0	–56,831
Transfer of actuarial gains/losses	0	–22,191
Curtailments and settlements	0	–562
Past service cost	0	0
Actuarial gains (–) / losses	1,287	344
Change in provision for Social Security Contribution	0	0
PBO at 31 December	**6,009**	**4,378**

Note 12:
Retirement benefit obligations cont.

Changes in the fair value of assets

NOK 1000	2011	2010
Assets at 1 January	2,124	41,574
Expected return on assets	119	91
Pensions paid	0	–56,831
Contributions	350	17,382
Actuarial gains (–) / losses	133	–92
Assets at 31 December	**2,726**	**2,124**
Actual return on plan assets	**252**	

Defined benefit pension costs

The total net pension cost recognised in Nordea Eiendomskreditt's income statement (as staff costs) for 2011 is tnok 161 (cost of tnok 440). The amount covers both funded and unfunded pension plans.

Recognised net defined benefit cost

NOK 1000	2011	2010
Service cost	169	195
Interest cost	175	249
Expected return on assets	–119	–91
Recognised actuarial gains(–) / losses	0	0
Recognised past service cost	0	0
Curtailments and settlements	0	–377
Amortisation of effect of changes to estimates	–8	0
Net cost	**217**	**–24**
Accrued Social Security Contribution	31	–3
Pension cost on defined benefit plans	**248**	**–27**

The pension cost in 2011 is the same as expected at the start of the year. For 2012, the net pension cost is expected to be tnok 388.

Note 13:
Assets pledged as security for own liabilities

NOK 1000	31 Dec 2011	31 Dec 2010
Assets pledged as security for own liabilities:		
Loans to the public	84,222,425	77,838,376
Total	**84,222,425**	**77,838,376**
The above pledges pertain to the following liability and committment items:		
Debt securities in issue	68,966,576	59,271,440
Total	**68,966,576**	**59,271,440**

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 2–5 years.

The terms and conditions that apply to the collateral pledged are regulated by the Financial Institutions Act, Chapter IV – Bonds secured on a loan portfolio (covered bonds), and the related Regulation of 25 May 2007 on mortgage credit institutions issuing bonds secured on a loan portfolio.

Note 14:
Commitments

NOK 1000	31 Dec 2011	31 Dec 2010
Accepted, not disbursed loans (unutilised portion of approved overdraft facilities)	7,773,113	7,824,555
Other commitments (note 21)	3,921	4,724
Total	**7,777,034**	**7,829,279**

Note 15:
Capital adequacy

Capital base

NOKm	31 Dec 2011	31 Dec 2010
Core tier 1 capital[1]	4,165	3,667
Tier 1 capital[1]	4,165	3,667
Capital base[1]	4,889	3,667

[1]Including profit for the period.

Capital requirement NOKm	31 Dec 2011 Capital requirement	31 Dec 2011 RWA	31 Dec 2010 Capital requirement	31 Dec 2010 RWA
Credit risk	**1,126**	**14,070**	**1,053**	**13,165**
IRB	1,083	13,539	1,050	13,122
– of which corporate	–	–	–	–
– of which institution	–	–	–	–
– of which retail	1,083	13,539	1,050	13,122
– of which retail SME	–	–	–	–
– of which retail real estate	1,025	12,815	991	12,391
– of which retail other	58	724	59	732
– of which other	–	–	0	0
Standardised	42	531	3	42
– of which sovereign	–	–	–	–
– of which retail	–	–	–	–
– of which other	42	531	3	42
Market risk*	**–**	**–**	**–**	**–**
– of which trading book, Internal Approach	–	–	–	–
– of which trading book, Standardised Approach	–	–	–	–
– of which banking book, Standardised Approach	–	–	–	–
Operational risk	**60**	**745**	**46**	**579**
Standardised	60	745	46	579
Sub total	**1,185**	**14,815**	**1,100**	**13,744**
Adjustment for transition rules				
Additional capital requirement according to transition rules	1,922	24,019	1,738	21,726
Total	**3,107**	**38,834**	**2,838**	**35,470**

* Note that the comparison figures are not restated with respect to CRD III

Capital ratio excl. transition rules

	31 Dec 2011	31 Dec 2010
Core tier 1 capital ratio[1], %	28.1	26.7
Tier 1 capital ratio[1], %	28.1	26.7
Capital base ratio[1], %	33.0	26.7

[1]Including profit for the period.

Capital ratio incl. transition rules

	31 Dec 2011	31 Dec 2010
Core tier 1 capital ratio[1], %	10.7	10.3
Tier 1 capital ratio[1], %	10.7	10.3
Capital base ratio[1], %	12.6	10.3

[1]Including profit for the period.

Note 15:
Capital adequacy cont.

Analysis of capital requirements

Exposure class, 31 Dec 2011	Average risk weight (%)	Capital requirement (NOKm)
Corporate IRB	–	–
Institutions IRB	–	–
Retail IRB	14	1,083
Sovereign	–	–
Other	20	42
Total credit risk	**14**	**1,126**

Note 16:
Classification of financial instruments

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

31 Dec 2011

NOK 1000	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets						
Loans and receivables to credit institutions	153,593					153,593
Loans and receivables to the public	88,537,456					88,537,456
Derivatives			1,706,490			1,706,490
Fair value changes of the hedged items in portfolio hedge of interest rate risk			425,744			425,744
Deferred tax assets						0
Prepaid expenses and accrued income	159,572					159,572
Total assets	**88,850,621**	**0**	**2,132,234**	**0**	**0**	**90,982,855**

	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions			15,250,000		15,250,000
Debt securities in issue			68,966,576		68,966,576
Derivatives		634,596			634,596
Fair value changes of the hedged items in portfolio hedge of interest rate risk		618,062			618,062
Current tax liabilities				119,166	119,166
Other liabilities				2,620	2,620
Accrued expenses and prepaid income				354,975	354,975
Retirement benefit obligations				2,135	2,135
Deferred tax				33,792	33,792
Subordinated liabilities			780,000		780,000
Total liabilities	**0**	**1,252,658**	**84,996,576**	**512,688**	**86,761,921**

Note 16:

Classification of financial instruments cont.

31 Dec 2010

NOK 1000	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets						
Loans and receivables to credit institutions	100,462					100,462
Loans and receivables to the public	80,750,256					80,750,256
Derivatives						0
Fair value changes of the hedged items in portfolio hedge of interest rate risk			75,957			75,957
Deferred tax assets						0
Other assets	578					578
Prepaid expenses and accrued income	126,459					126,459
Total assets	**80,977,755**	**0**	**75,957**	**0**	**0**	**81,053,711**

NOK 1000	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions			17,600,000		17,600,000
Debt securities in issue			59,271,440		59,271,440
Derivatives		479,320			479,320
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-282,168			-282,168
Current tax liabilities				153,794	153,794
Other liabilities				712	712
Accrued expenses and prepaid income				83,443	83,443
Retirement benefit obligations				2,286	2,286
Dererred tax				1,955	1,955
Subordinated liabilities					0
Total liabilities	**0**	**197,152**	**76,871,440**	**242,190**	**77,310,782**

Note 17:

Assets and liabilities at fair value

	31 Dec 2011		31 Dec 2010	
NOK 1000	Book value	Fair value	Book value	Fair value
Assets				
Loans and receivables to credit institutions	153,593	153,593	100,462	100,462
Loans and receivables to the public	88,537,456	88,537,456	80,750,256	80,750,256
Derivatives	1,706,490	1,706,490	0	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	425,744	425,744	75,957	75,957
Deferred tax assets	0	0	0	0
Other assets	0	0	578	578
Prepaid expenses and accrued income	159,572	159,572	126,459	126,459
Total assets	**90,982,855**	**90,982,855**	**81,053,711**	**81,053,711**

	Book value	Fair value	Book value	Fair value
Liabilities				
Deposits by credit institutions	15,250,000	15,248,805	17,600,000	17,599,281
Debt securities in issue	68,966,576	68,785,290	59,271,440	58,146,440
Derivatives	634,596	634,596	479,320	479,320
Fair value changes of the hedged items in portfolio hedge of interest rate risk	618,062	618,062	-282,168	-282,168
Current tax liabilities	119,166	119,166	153,794	153,794
Other liabilities	2,620	2,620	712	712
Accrued expenses and prepaid income	354,975	354,975	83,443	83,443
Retirement benefit obligations	2,135	3,547	2,286	2,536
Deferred tax liabilities	33,792	33,792	1,955	1,955
Subordinated liabilities	780,000	779,463	0	0
Total liabilities	**86,761,921**	**86,580,315**	**77,310,782**	**76,185,313**

Estimation of fair value for assets and liabilities

Financial assets and financial liabilities are measured at fair value in the balance sheet regarding fixed interest rate loans to the public and issued securities in the portfolio hedge of interest rate risk.

The book values on other loans and receivables, deposits and issued securities are adjusted for the value of the fixed interest term in order to estimate the fair values that are presented in the tables above. The value of the fixed interest term is a result of changes in the relevant market interest rates. The discount rates used are based on current market rates for each term.

Fair value is set to book value in the tables above, for assets and liabilities for which no reliable fair value has been possible to estimate. This is valid for intangible assets, property and equipment and provisions.

The total amount of unrealised changes in fair value of financial assets and liabilities recognised in the income statement, (loans to the public, issued securities and derivatives) is based on observable market rates.

For further information about valuation of items normally measured at fair value, see Note 1 Accounting Principles.

Note 17:
Assets and liabilities at fair value cont.

Determination of fair value from quoted market prices or valuation techniques
The following table presents the valuation methods used to determine fair value where this equals book value, and where fair value differs from nominal value:

	31 Dec 2011		31 Dec 2010	
NOK 1000	Instruments with quoted prices (Level 1)	Valuation technique using observable data (Level 2)	Instruments with quoted prices (Level 1)	Valuation technique using observable data (Level 2)
Assets				
Loans and receivables to the public				
Interest-bearing securities				
Derivatives		1,706,490		
Total assets	**0**	**1,706,490**	**0**	**0**
Liabilities				
Debt securities in issue				
Derivatives		634,596		479,320
Total liabilities	**0**	**634,596**	**0**	**479,320**

[1]Level 1 consist of financial assets and financial liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. This category includes listed equity shares, exchange-traded derivatives, and government issued securities.

[2] Level 2 consists of financial assets and financial liabilities which do not have quoted market prices directly available from an active market, and where fair values are estimated using valuation techniques or models, based wherever possible on assumptions supported by observable market prices or rates prevailing at the balance sheet date. This is the case for the majority of OTC derivatives, and for many unlisted instruments and other items which are not traded in active markets. As for example certificates where issuers are non-government.

Level 3 consists of those types of financial instruments where fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for private equity instruments in unlisted securities and private equity funds, and for certain complex or structured financial instruments. Nordea Eiendomskreditt AS has no financial assets or financial liabilities measured according to level 3.

Note 18:

Assets and liabilities in foreign currencies

	31 Dec 2011			31 Dec 2010		
NOK 1000	NOK	USD	Total	NOK	USD	Total
Assets						
Loans to credit institutions	153,593		153,593	100,462		100,462
Loans to the public	88,537,456		88,537,456	80,750,256		80,750,256
Interest-bearing securities	0		0			0
Other assets	1,755,485	536,321	2,291,806	202,994		202,994
Total assets	**90,446,534**	**536,321**	**90,982,855**	**81,053,711**	**0**	**81,053,711**
Liabilities and equity						
Deposits by credit institutions	15,250,000		15,250,000	17,600,000		17,600,000
Deposits and borrowings from the public			0			0
Debt securities in issue	51,056,017	17,910,559	68,966,576	59,271,440		59,271,440
Subordinated liabilities	780,000		780,000			0
Other liabilities and equity	5,375,856	610,424	5,986,280	4,182,272		4,182,272
Total liabilities and equity	**72,461,873**	**18,520,982**	**90,982,855**	**81,053,711**	**0**	**81,053,711**
Position not reported in the balance sheet	**-17,978,205**	**17,978,205**	**0**			**0**
Net position, currencies	**6,456**	**-6,456**	**-0**	**0**	**0**	**0**

Note 19:

Maturity analysis for assets and liabilities

31 Dec 2011

Remaining maturity	Payable on demand	Max 3 months	3–12 months	1–5 years	More than 5 years	Without maturity	Total
NOK 1000	NOK	NOK	NOK	NOK	NOK	NOK	NOK
Assets							
Loans and receivables to credit institutions	153,593						153,593
Loans to the public	62,379	383,513	342,500	7,818,661	79,930,403		88,537,456
Derivatives		17,437		1,342,431	346,622		1,706,490
Fair value changes of the hedged items in portfolio hedge of interest rate risk		317,624	6,380	77,933	23,808		425,744
Other assets		159,572					159,572
Total assets	**215,972**	**878,145**	**348,880**	**9,239,025**	**80,300,833**	**0**	**90,982,855**
Liabilities and equity							
Liabilities to financial institutions	15,250,000						15,250,000
Debt securities in issue				57,904,076	11,062,500		68,966,576
Derivatives		70,200	13,215	192,379	358,801		634,595
Fair value changes of the hedged items in portfolio hedge of interest rate risk		402,078		67,895	148,089		618,063
Other liabilities		134,185	339,221			39,282	512,688
Subordinated liabilities					780,000		780,000
Equity						4,220,934	4,220,934
Total liabilities and equity	**15,250,000**	**606,463**	**352,436**	**58,164,350**	**12,349,390**	**4,260,216**	**90,982,855**
Net total on all items	**–15,034,028**	**271,683**	**–3,556**	**–48,925,325**	**67,951,443**	**–4,260,216**	**–0**

The section Liquidity risk in the Report for the year describes the management of the liquidity risk in more detail.

31 Dec 2010

Remaining maturity	Payable on demand	Max 3 months	3–12 months	1–5 years	More than 5 years	Without maturity	Total
NOK 1000	NOK	NOK	NOK	NOK	NOK	NOK	NOK
Assets							
Loans and receivables to credit institutions	100,462						100,462
Loans to the public	16,372	204,911	101,914	3,866,544	76,560,514		80,750,255
Derivatives							
Fair value changes of the hedged items in portfolio hedge of interest rate risk			5,496	48,684	21,776		75,957
Other assets		127,574				–537	127,037
Total assets	**116,834**	**332,485**	**107,410**	**3,915,228**	**76,582,290**	**–537**	**81,053,711**
Liabilities and equity							
Liabilities to financial institutions	17,600,000						17,600,000
Debt securities in issue	–53,560			53,875,000	5,450,000		59,271,440
Derivatives	39,117		10,591	164,872	264,739		479,320
Fair value changes of the hedged items in portfolio hedge of interest rate risk					–282,168		–282,168
Other liabilities		4,715	75,780			161,695	242,190
Subordinated liabilities							–
Equity						3,742,929	3,742,929
Total liabilities and equity	**17,585,557**	**4,715**	**86,371**	**54,039,872**	**5,432,571**	**3,904,624**	**81,053,711**
Net total on all items	**–17,468,723**	**327,770**	**21,039**	**–50,124,644**	**71,149,719**	**–3,905,161**	**–0**

Note 20:

Related-party transactions

NOK 1000	2011		2010	
	Nordea Bank Norge ASA	Nordea Bank AB	Nordea Bank Norge ASA	Nordea Bank AB
Profit and loss account				
Interest income on loans with financial institutions	4,169		18,712	
Net gains/losses on items at fair value	703,229			
Other operating income			215	
Total income	707,398	–	18,927	–
Interest expenses on liabilities to financial institutions	335,324		204,549	
Interest and related expense on securities issued incl. hedging	1,077,969		1,492,282	
Net gains/losses on items at fair value			353,955	
Interest and related expense on subordinated loan capital	4,891			
Commission and fee expense for banking services	41		845	
Other operating expenses	100,004	631	89,984	269
Total expenses	1,518,228	631	2,141,614	269
Proposed group contribution	–		–	
Balance sheet				
Loans and receivables to credit institutions	153,593		100,462	–
Derivatives and fair value changes of the hedged items in portfolio hedge of interest rate risk			–	–
Other assets	1,706,490		578	
Total assets	1,860,083	–	101,040	–
Deposits by credit institutions	15,250,000		17,600,000	–
Issued bonds	20,000,000		50,000,000	
Derivatives and fair value changes of the hedged items in portfolio hedge of interest rate risk	240,901		479,320	–
Accrued expenses and prepaid income	10,327		6,693	–
Subordinated loan capital	780,000			
Share capital	1,533,627		1,533,627	–
Total libilities and equity	37,814,855	–	69,619,640	–
Off balance sheet items				
Interest rate swaps (nominal value) (Note 9)	50,129,345		11,210,000	

Nordea Eiendomskreditt AS does not have transactions with Group companies other than recognised above. Nordea Eiendomskreditt AS is a wholly owned subsidiary of Nordea Bank Norge ASA, which again is a wholly owned subsidiary of Nordea Bank AB. Transactions between Nordea Eiendomskreditt AS and other legal entities in the Nordea Group are performed according to arm's length principles in conformity with OECD requirements on transfer pricing.

Note 21:
Contingent liabilities

Den norske Bank ASA (formerly DnB Boligkreditt AS/Den Østenfjelske Bykredittforening), Nordea Eiendomskreditt AS (formerly Norgeskreditt AS/Vestenfjelske Bykreditt AS/Den Vestenfjelske Bykredittforening) and Den Nordenfjelske Bykredittforening have jointly and severally guaranteed the 2nd – 7th series of bearer bonds issued by De Norske Bykredittforeninger.

The aggregate debt outstanding at 31 December 2011 amounted to NOK 3.9 mill. Nordea Eiendomskreditt's share of the portfolio amounted to NOK 0.0 mill.

Note 22:
Credit risk disclosures

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital management section of the Board of Directors´ Report. Additional information on credit risk is also disclosed in the Capital and Risk management Report (Pillar 3) 2011, which is available on www.nordea.com. Credit risk is defined as the risk of loss if counterparts fail to fulfil their agreed obligations and that the pledged collateral does not cover the claims. Credit risk stems mainly from various forms of lending, but also from counterparty credit risk in derivatives contracts.
The figures in the table represents maximum exposure for credit risk in the company.

Credit risk exposures for loans and derivatives

NOKm	31 Dec 2011	31 Dec 2010
Loans to credit institutions	154	100
Loans to the public incl accrued interest	88,697	80,877
– of which household	88,697	80,877
Total loans and receivables	**88,851**	**80,977**
Off balance credit exposure		
– herav utlån til personkunder	7,773	7,829
– herav derivatkontrakter	1,072	479
Off balance credit exposure	**8,845**	**8,309**
Total credit exposure	**97,696**	**89,286**

Past due loans

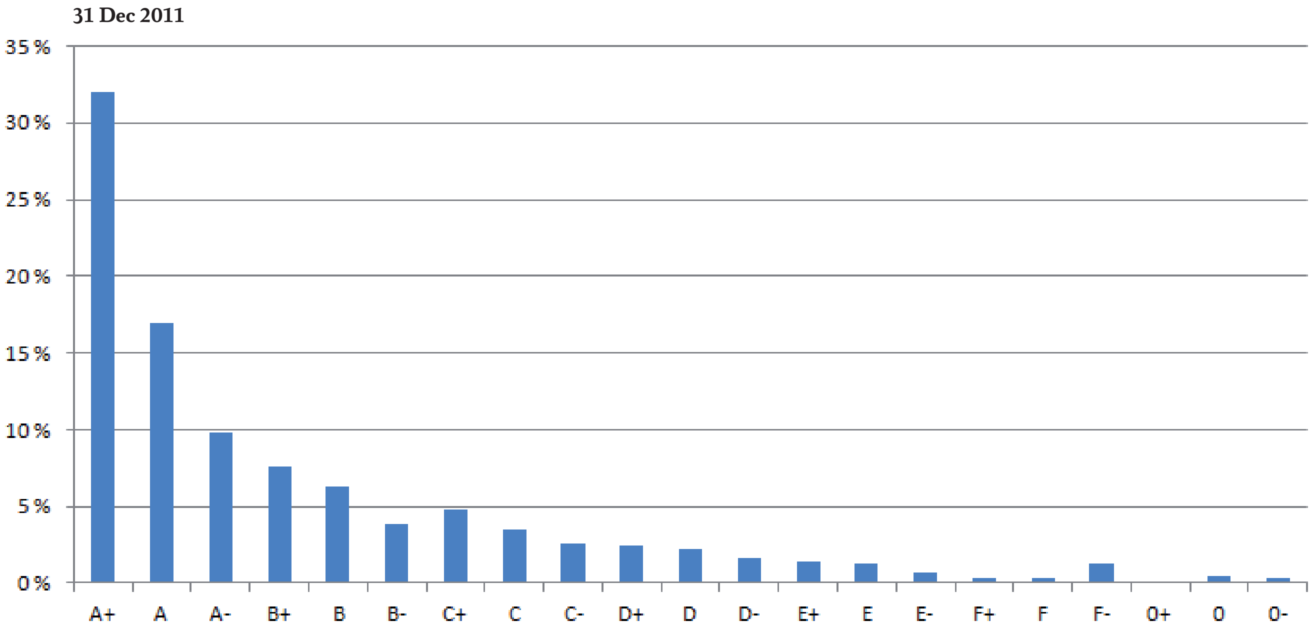
NOKm	31 Dec 2011	31 Dec 2010
6–30 days	1,317	1,219
31–60 days	379	207
61–90 days	58	39
>90 days	36	42
Total	**1,790**	**1,507**

Note 23:
Scoring distribution of the lending portfolio

Scoring models are pure statistical methods to predict the probability of customer default. The models are used in the household segment as well as for small corporate customers. Bespoke behavioural scoring models, developed on internal data, are used to support the credit approval process in Nordea Bank Norge. This is also valid for loans in Nordea Eiendomskreditt's lending portfolio. As a supplement to the behavioural scoring models also bureau information is used in the credit process. The internal behaviour scoring models are used to identify the PD (Probability of Default), in order to calculate the economic capital and RWA (Risk Weighed Assets) for customers.

The scoring model is validated annually. According to the model, the customers are allocated into one of 21 categories, with customers in category A+ representing the best ability to service the debt.

Risk grade distribution for Retail, Exposure at Default



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nordea Eiendomskreditt AS

Report on financial statements

We have audited the financial statements of Nordea Eiendomskreditt AS, which comprise the balance sheet as at December 31, 2011, and the income statement and the statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements
The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Offices in:

Oslo, Alta, Arendal, Bergen, Bodø, Elverum, Finnsnes, Grimstad, Hamar, Haugesund, Kristiansand, Larvik, Mo i Rana, Molde, Narvik, Røros, Sandefjord, Sandnessjøen, Stavanger, Stord, Tromsø, Trondheim, Tønsberg, Ålesund

KPMG AS, a Norwegian member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Opinion
In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Nordea Eiendomskreditt AS at December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Purpose
This independent auditor's report has been prepared to issue signed English opinions on the 2011 financial statements.

Oslo, 9 February 2012
KPMG AS

Bjarne Haldorsen
State Authorised Public Accountant (Norway)

Statement by the members of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director have today considered and approved the annual report and accounts of Nordea Eiendomskreditt AS for 2011, including comparative figures for 2010 (the "2011 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. The Board of Directors and the Managing Director consider that to the best of their knowledge, the 2011 Annual Report has been prepared in accordance with the current accounting standards, and the information contained in the accounts gives a true and fair view of the company's assets, liabilities and financial position as at 31 December 2011 and as at 31 December 2010.

The Board of Directors and the Managing Director consider that to the best of their knowledge, the Board of Directors' report gives a true and fair view of the company's activities, its commercial position and results. The Board of Directors and the Managing Director also consider that to the best of their knowledge, the description of the most relevant risk factors the company faces gives a true and fair view.

Nordea Eiendomskreditt AS
Oslo, 8 February 2012

Jon Brenden Chairman of the Board	Børre Gundersen Board member	Fanny Borgström Board member
Eva Jarbekk Board member	Monica Blix Board member	Marianne Glatved Managing director

To the Supervisory Board and the Annual Shareholders' Meeting of Nordea Eiendomskreditt AS

During 2011 the Control Committee has inspected the Company's activities in accordance with the Act on financing activity and financial institutions § 3-11 and the instructions issued by Finanstilsynet 18 December 1995.

The Control Committee has examined the accounts for 2011 and is of the view that they are in accordance with prevailing accounting regulations and International Financial Reporting Standards settled by the European Union. The Control Committee considers the Board of Directors' evaluation of the Company's financial position adequate and recommends that the income statement and balance sheet are adopted as presented.

With reference to other aspects of the accounts for 2011 the Control Committee refers to the auditor's report of 9 February 2012 and supports the views expressed therein concerning the submitted annual accounts.

Oslo, 9 February 2012

Anders Ingebrigtsen (Chairman)	Thorleif Haug (Deputy Chairman)	Berit Stokke (Member)	Tom Knoff (Deputy Member)

Governing bodies 31 December 2011

Board of Directors

Members	Title	Board member since
Jon Brenden, Chairman	Deputy Head of Banking Norway, Nordea Bank Norge ASA	2010
Børre Gundersen	Management partner for Head of Banking Norway, Nordea Bank Norge ASA	2010
Fanny Borgström	Head of Group Funding i Group Treasury, Nordea Bank AB	2010
Eva I. E. Jarbekk	Lawyer and partner, Kluge Advokatfirma DA	2010
Monica Blix	Controller, Infratek ASA	2010

Control Committee

Members	Title
Anders Ingebrigtsen, Chairman	Managing Director, Koenig AS, Oslo
Thorleif Haug, Deputy chairman	Consultant, Oslo
Berit Stokke	Lawyer, Advokatfirmaet Thommesen AS, Oslo
Tom Knoff	Rådgiver, Kolbotn

Board of Representatives

Members	Title
Anne Stärk-Johansen, Chairman	Head of Segment Corporate Norway, Nordea Bank Norge ASA
Jon Kristian Abel, Deputy chairman	Head of Branch Region Oslo Corporate, Nordea Bank Norge ASA
Bjørn Rasmussen	Head of Segment Household & Marketing, Nordea Bank Norge ASA
Brynjolf Anke	Head of Branch Region Middle and Northern Norway, Nordea Bank Norge ASA
Toril Bjørnstad Hanstad	Head of Branch Region Hedmark & Oppland, Nordea Bank Norge ASA
Mathias Martinsen	Management partner, Group Operations & Other Lines of Business, Nordea Bank Norge ASA

Auditor

KPMG
Bjarne Haldorsen (State Authorized Public Accountant)
St. Jakobs plass 9
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