Nordea

Annual Report 2012

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. 1,000 branch office locations 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.)

	2012	2011
Net interest income	**1,241**	**562**
Net gains/losses on items at fair value	–14	197
Other income	51	34
Total operating income	**1,277**	**793**
Staff costs	–2	–2
Other expenses	–146	–111
Total operating expenses	**–148**	**–113**
Loan losses (negative figures are reversals)	–8	16
Operating profit	**1,137**	**664**
Income tax expense	321	186
Net profit for the year	**816**	**478**

Summary of balance sheet (NOK mill.)

	2012	2011
Instalment loans	113,806	88,582
Allowance for loan losses	–33	–44
Other assets	1,859	2,445
Debt securities in issue	83,793	68,967
Other liabilities	25,202	17,795
Equity	6,637	4,221
Total assets	**115,632**	**90,983**
Average total assets	108,879	84,809

Ratios and key figures

	2012	2011
Earnings per share (NOK)	53.2	31.2
Equity per share [1] (NOK)	432.7	275.2
Shares outstanding [1], million	15.3	15.3
Post-tax return on average equity	17.0 %	12.8 %
Cost/income ratio	11.6 %	14.2 %
Core tier 1 capital ratio, excl. transition rules [1]	53.0 %	28.1 %
Tier 1 capital ratio, excl. transition rules [1]	53.0 %	28.1 %
Total capital ratio, excl. transition rules [1]	58.9 %	33.0 %
Core tier 1 capital ratio incl. transition rules [1]	13.1 %	10.7 %
Tier 1 capital ratio incl. transition rules [1]	13.1 %	10.7 %
Total capital ratio incl. transition rules [1]	14.6 %	12.6 %
Capital base (NOK mill.) [1]	7 333	4,889
Risk-weighted assets incl. transition rules (NOK mill) [1]	50 187	38,834

[1] At the end of the period

Board of Directors' Report

Introduction

Nordea Eiendomskreditt AS was first incorporated in 1927 as a credit association known as Norges Hypotekforening for Næringslivet. During the course of autumn 2009, the company's commercial property lending activities were sold to the parent bank, Nordea Bank Norge ASA. With effect from 2010 the company has operated solely as a mortgage credit institution with the business objective to grant and acquire residential mortgage loans and to fund its lending activities primarily via issuance of covered bonds.
The company's registered address is in Oslo, but its employees are located in Bergen.

The company's share capital was in November 2012 increased by NOK 153m to NOK 1,687m, due to the company's active policy to strengthen the capital situation. The share capital is made up of 15,336,269 ordinary shares, each of a nominal value NOK 110. The entire issued share capital is owned by Nordea Bank Norge ASA (NBN).

Highlights of 2012

The company reported a pre-tax profit for 2012 of NOK 1,137m, an increase from NOK 664m in 2011. Net lending was NOK 113.8bn at 31 December 2012 as compared to NOK 88.5bn at 31 December 2011. The company issued covered bonds in 2012 totalling NOK 17.3bn in the Norwegian market.

Comments on the Income statement

Total operating income was NOK 1,277m (compared to NOK 793m in 2011) which gives an increase of 61%.

Net interest income increased by 120% to NOK 1,241m (NOK 562m in 2011). The increase is due to a higher interest margin in the lending portfolio in 2012, as well as a higher lending volume.

Net fee and commission income increased by 51% to NOK 50.5m (NOK 33.5m in 2011). The income regards lending related commissions and the increase is due to a larger average lending portfolio in 2012 and increased fee rates.

Net result from items at fair value ended at a loss of NOK 14.0m (income of NOK 196.6m in 2011). The decrease results from realised gains of NOK 214.6m in 2011 related to buy-backs of own bonds. In 2012 such buy-backs are not done to the same extent. 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 -12.4m in 2012 (NOK -18.0m in 2011).

Total operating expenses went up by 31% to NOK 148.1m (NOK 112.8m in 2011). 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 90% of the operating expenses, and has increased due to increased pricing of the service and to a higher lending volume in 2012. 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 0.14% of average total assets (0.13%). Nordea Eiendomskreditt AS does not incur any costs for research and development activities.

Net loan losses for 2012 ended at a net income of NOK 8.0m. Allowances for collectively assesed loans were reduced by NOK 21.2m during the year, while loan losses for individually assessed loans amounted to a cost of NOK 13.2m. Comparable figures for 2011 was an increase in collective allowances of NOK 4.2m and loan losses for individually assessed loans of NOK 11.6m, in total NOK 15.8m.

Taxes for the year amounted to NOK 321.3m, of which NOK 290.1m relates to tax payable, NOK 28.2m was due to changes in deferred tax and NOK 2.9m is a correction of taxes for previous years.

Net profit for the year amounted to NOK 815.6m (compared to NOK 478.0m for 2011). This gives a return on average equity of 17.0% (12.8%).

Comments on the Balance sheet

Assets and lending activities

Gross lending to customers at 31 December 2012 amounted to NOK 113.8bn compared to NOK 88.6bn at the end of 2011, representing an increase of 28%. Gross lending consists entirely of residential mortgage loans used as collateral in securing the covered bonds issued by the company. NOK 106.7bn 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 26.6% in relation to the covered bonds issued.

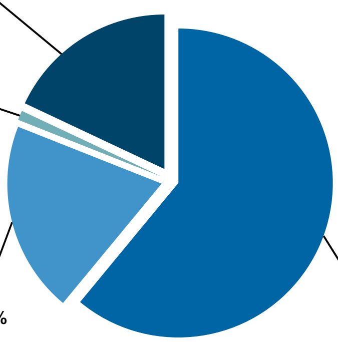
Liabilities and funding activities

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 gives investors a preferential claim into a pool of high quality assets in case of the issuer's insolvency. Norwegian covered bonds can only be issued by mortgage credit institutions that holds a licence from the Norwegian FSA and whose articles of association comply with certain mandatory requirements. The cover pool in Nordea Eiendomskreditt consists entirely of Norwegian residential mortgage loans.

During 2012 Nordea Eiendomskreditt has issued covered bonds amounting to NOK 17.3bn in the Norwegian domestic market under its NOK 75bn domestic covered bond program. Issuance is done via taps of outstanding and new bonds via designated dealers. As of 31 December 2012, Nordea Eiendomskreditt had outstanding covered bonds totalling NOK 47.4bn in the Norwegian market and USD 3.0bn in the US market. In addition, Nordea Eiendomskreditt had outstanding NOK 20bn 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 0.78bn.

In addition to the long term funding Nordea Eiendomskreditt also raised short term unsecured funding from the parent bank. At the end of 2012 such borrowings amounted to NOK 21.9bn.

The following figure shows the company's funding structure as at 31 December 2012



Equity

Shareholder's equity ended at NOK 6,637m. This includes net profit for the year of NOK 816m.

Allocation of net profit for the year

Nordea Eiendomskreditt AS reported a net profit for the year of NOK 815.6m. The Board of Directors will propose to the General Assembly that the company should transfer the entire net profit for the year to the company's equity reserves. 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 2012, the company was party to interest rate swaps with a nominal value of NOK 92.7bn.

Nordea Eiendomskreditt has covered bonds totalling USD 3.0bn issued in the US market in 2011. 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 carried a rating by Moody's Investors' Service of AAA as of 31 December 2012.

Risk, liquidity and capital management

Management of risk, liquidity and capital 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 within 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, liquidity, business and operational risk management 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 the 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, two units, Group Risk Management and Group Corporate Centre, 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 and for management of liquidity risk.

Risk reporting

Risk reporting including reporting the development of RWA, is regularly made to GEM and the Board of Directors. 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

Additional and more detailed information on risk and capital management is presented in the Pillar III disclosure in line with the requirements of the CRD in the Basel II framework. The Pillar III disclosure is publicly available 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 stems mainly from various forms of lending, but also from guarantees and documentary credits, counterparty credit risk in derivatives contracts, transfer risk attributable to the transfer of money from another country and settlement risk. 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. The risk of material losses in the portfolio is therefore considered to be limited.

Individual and collective assessment of impairment

The loan portfolio is regularly reviewed in order to identify potential loan losses. A provision is recognized if there is objective evidence based on loss events or observable data that the customer's future cash flow is weakened to the extent that full repayment is unlikely, collateral included. Exposures with provision are considered as impaired. Exposures that have been past due more than 90 days are automatically regarded as in non-performing, and reported as impaired or not impaired depending on the deemed loss potential (allowance calculation method is further described in note 1 Accounting policies).

In addition to individual impairment testing of all individually significant 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 including Nordea Eiendomskreditt. 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.

Credit portfolio

Credit risk is measured, monitored and segmented in different ways. On-balance lending constitutes the major part of the credit portfolio and the basis for impaired loans and loan losses. Credit risk in lending is measured and presented as the principle amount of on-balance sheet claims, i.e. loans to credit institutions and the public, and off-balance sheet potential claims on customers and counterparts, net after allowances. Credit risk exposure also includes the risk related to derivative contracts.

Nordea Eiendomskreditt's net lending to the public increased by 28% to NOK 113.8bn during 2012 (NOK 88.5bn). The portfolio includes only residential mortgage loans that are secured by properties in Norway. Including off-balance sheet exposures the total credit risk exposure at year end was NOK 124.2bn (NOK 96.5bn).

Lending to credit institutions amounted to NOK 83.5m at the end of the year (NOK 153.6m), all of which was placed in the parent bank as cash accounts, payable on demand. The company does not have any assets in the form of interest bearing securities.

The collateral value for the lending portfolio, when collateral value 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 risk grades for scored household customers. Information on scoring distribution in the lending portfolio is shown in note 23.

Impaired loans

Impaired loans gross in Nordea Eiendomskreditt increased during the year from NOK 41.5m to NOK 43.1m in 2012, corresponding to 4 basis points of total loans. 8% (20%) of impaired loans gross are performing loans and 92% (80%) are non-performing loans. Impaired loans net, after allowances for individually assessed impaired loans amounted to NOK 21.5m (NOK 30.2m), corresponding to 2 basis points of total loans. Allowances for individually assessed loans increased from NOK 11.3m to NOK 21.6.

Allowances for collectively assessed loans decreased from NOK 33.0m to NOK 11.8m.

The volume of past due loans to household customers decreased to NOK 1,639m (NOK 1,790m) in 2012. Nordea Eiendomskreditt has not taken over any properties for protection of claims due to default.

Loan losses were a net income of NOK 8.0m in 2012 (net cost of NOK 15.8m in 2011). This corresponds to a loan loss ratio of -1 basis points.

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. The risk exposure on derivatives amounted to NOK 628m (NOK 1,072m).

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.

Measurement of market risk

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 (SIIR – Structural Interest Income Risk).

At the close of 2012, Nordea Eiendomskreditt's interest rate sensitivity was approximately NOK 58m calculated in relation to a parallel shift in the yield curve of 1 percentage point. This implies that Nordea Eiendomskreditt AS would gain NOK 58m 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 2011 was NOK 54 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.

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 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 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, the Board of Directors has set a limit for a minimum survival of 30 days. The structural liquidity risk of Nordea is measured and limited by the Board of Directors 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	82	1,975	5,351	38,603	111,071	**157,082**
Non interest bearing financial assets					1,778	**1,778**
Total financial assets	**82**	**1,975**	**5,351**	**38,603**	**112,850**	**158,861**
Interest bearing financial liabilities	0	22,196	5,348	73,263	12,397	**113,204**
Non interest bearing financial liabilities					9,158	**9,158**
Total financial liabilities	**0**	**22,196**	**5,348**	**73,263**	**21,555**	**122,362**
Derivatives, cash inflow	0	359	1,184	20,185	1,628	**23,356**
Derivatives, cash outflow	0	484	1,012	19,606	880	**21,982**
Net exposure	**0**	**–125**	**172**	**578**	**748**	**1,374**
Exposure	**82**	**–20,346**	**175**	**–34,081**	**92,043**	**37,873**
Cumulative exposure	**82**	**–20,264**	**–20,089**	**–54,171**	**37,873**	

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 10,176m, which could be drawn on at any time.

Capital management

Nordea strives to be efficient in its use of capital and therefore actively manages its balance sheet with respect to different assets, liabilities and risks. The goal is to enhance returns to shareholders while maintaining a prudent capital structure.

Minimum capital requirements

Risk-weighted assets (RWA) are calculated in accordance with requirements in the CRD. Nordea Eiendomskreditt had 98% of the exposure covered by internal rating based (IRB) approaches by the end of 2012. For operational risk the standardised approach is applied.

Internal capital assessment
Nordea bases its internal capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) on the minimum capital requirements and on internally identified risks. In effect, the internal capital requirement is a combination of risks defined by Capital Requirements Directive (CRD) and identified risks which are incremental to those defined by the CRD. The following major risk types are included: credit risk, market risk, operational risk and business risk.

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

Regulatory buffers are introduced with the implementation of CRD IV. This might lead to higher capitalisation requirements than what is determined in the internal capital requirement. Should the regulatory capital requirement exceed the internal capital requirement, additional capital will be held to meet those regulatory requirements with a margin.

Economic Profit (EP)
Nordea uses EP as one of its financial performance indicators. EP is calculated as risk-adjusted profit less the cost of equity. Risk-adjusted profit and EP are measures to support performance management and for shareholder value creation. In investment decisions and customer relationships, EP drives and supports the operational decision making process in Nordea. The EP model also captures both growth and return. EC and expected losses (EL) are inputs in the EP framework.

Expected loss (EL)
EL reflects the normalised loss level of the individual credit exposure over a business cycle as well as various portfolios. EL is a more stable measure than actual losses, but it will vary with the business cycle as a consequence of shifts in the repayment capacity (PD dimension) and collateral coverage (LGD dimension) distributions.

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 of hybrid capital loan (perpetual loan) instruments (maximum up to 50% of tier 1, if some specific criteria are fulfilled). Profit may only be included after deducting the 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, i.e. investment in insurance and other financial companies.

Summary of items included in the capital base

NOKm	31 Dec 2012	31 Dec 2011
Calculation of total capital base		
Equity	6,637	4,221
Proposed/actual dividend		
IRB-provisions excess(+)/shortfall(-)	-42	-56
Tier 1 capital (net after deduction)	**6,595**	**4,165**
- of which hybrid capital		
Tier 2 capital	**780**	**780**
- of which subordinated loans	780	780
IRB-provisions excess(+)/shortfall(-)	-42	-56
Total capital base	**7,333**	**4,889**

Capital adequacy
The net capital base of Nordea Eiendomskreditt AS amounted to NOK 7,333m at the end of 2012, calculated in accordance with Basel II. NOK 780 million hereof is subordinated loan.

The Tier 1 capital ratio at the close of 2012 including the transition rules was 13.1% (10.7%), and the total capital ratio including the transition rules was 14.6% (12.6%). The minimum capital requirement is 8.0%.

Further information – Note 15 Capital adequacy and the Pillar III report
Further information on capital management and capital adequacy is presented in note 15 Capital adequacy and in the Capital and Risk Management report 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 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 2012 KPMG was reelected as auditor for the time period up to end of the Annual General Meeting 2013. State Authorized Public Accountant Bjarne Risnes Haldorsen is the auditor-in-charge for Nordea Eiendomskreditt ASA.

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 might 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 2012.

Personnel and working environment

At the end of 2012, Nordea Eiendomskreditt AS had 2 (2) employees. Staffing was equivalent to 1.6 (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. Both employees in the company are women, of which one holds an executive position. The Board of Directors consists of three women and two men. 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 2012 amounted to 8.38% (0.79%). A total of 31 (4) working days were lost to sickness in 2012. 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 to the accounts.

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

Subsequent events

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

Outlook 2013

The development in 2012 has been satisfactory, and the company expects no major changes in 2013. Nordea Eiendomskreditt has competitive access to funding and a robust capital position, and is thus well prepared for possible new capital requirements.

Nordea Eiendomskreditt AS
Oslo, 6 February 2013

Jon Brenden Chairman of the Board	Børre Gundersen Member of the Board	Fanny Borgström Member of the Board
Eva I. E. Jarbekk Member of the Board	Monica Blix Member of the Board	Marianne Glatved Managing director

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Income statements

NOK 1000	Note	2012	2011
Interest and related income on loans and deposits with financial institutions	20	7,524	4,169
Interest and related income on loans to customers		3,989,908	3,000,814
Other interest and related income		191	468
Total interest and related income		**3,997,624**	**3,005,451**
Interest and related expense on liabilities to financial institutions	20	475,708	335,324
Interest and related expense on securities issued	20	2,092,810	1,950,216
Interest and related expense on subordinated loan capital		48,031	4,891
Other interest and related expense		140,568	152,523
Total interest and related expense		**2,757,117**	**2,442,954**
Net interest income		**1,240,507**	**562,497**
Fee and commission income		53,787	35,345
Fee and commission expense	20	3,263	1,857
Net fee and commission income		**50,524**	**33,488**
Net result from items at fair value	3, 20	**–13,998**	**196,615**
Total operating income		**1,277,034**	**792,600**
Staff costs	4, 12	2,346	2,253
Other expenses	5, 20	145,799	110,533
Total operating expenses		**148,145**	**112,787**
Profit before loan losses		**1,128,888**	**679,813**
Loan losses (negative figures are reversals)	6	–8,021	15,789
Operating profit		**1,136,909**	**664,024**
Income tax expense	7	321,267	186,019
Net profit for the year		**815,642**	**478,005**
Allocated to:			
Shareholders of Nordea Eiendomskreditt AS		815,642	478,005
Total allocation		**815,642**	**478,005**
Earnings per share, NOK		53,18	31,17

Statements of comprehensive income

NOK 1000	2012	2011
Net profit for the period	815,642	478,005
Other comprehensive income	0	0
Total comprehensive income	**815,642**	**478,005**
Allocated to:		
Shareholders of Nordea Eiendomskreditt AS	815,642	478,005
Total allocation	**815,642**	**478,005**

Nordea Eiendomskreditt AS
Oslo, 6 February 2013

Jon Brenden
Chairman of the Board

Børre Gundersen
Member of the Board

Fanny Borgström
Member of the Board

Eva I. E. Jarbekk
Member of the Board

Monica Blix
Member of the Board

Marianne Glatved
Managing director

Balance sheets

NOK 1000	Note	31 Dec 2012	31 Dec 2011
Assets			
Loans to credit institutions, payable on demand	20	83,468	153,593
Total loans to credit institutions		**83,468**	**153,593**
Loans to the public		113,805,766	88,581,720
Allowance for individually assessed loans	6, 8	-21,634	-11,264
Allowance for collectively assessed loans	6, 8	-11,800	-33,000
Net loans to the public		**113,772,333**	**88,537,456**
Deferred tax assets	7	0	0
Total intangible assets		**0**	**0**
Derivatives	9, 20	1,232,911	1,706,490
Fair value changes of the hedged items in portfolio hedge of interest rate risk	10	353,186	425,744
Other assets		659	0
Total other assets		**1,586,756**	**2,132,234**
Accrued income and prepaid expenses		**189,151**	**159,572**
Total assets		**115,631,707**	**90,982,855**
Liabilities and equity			
Deposits by credit institutions, payable on demand		670	0
Deposits by credit institutions, fixed term	11, 20	21,900,000	15,250,000
Total deposits by credit institutions		**21,900,670**	**15,250,000**
Debt securities in issue	**11, 20**	**83,792,777**	**68,966,576**
Derivatives	9, 20	604,898	634,596
Fair value changes of the hedged items in portfolio hedge of interest rate risk	10	1,121,077	618,062
Current tax liabilities	7	290,104	119,166
Other liabilities		1,860	2,246
Total other liabilities		**2,017,938**	**1,374,070**
Accrued expenses and prepaid income	**20**	**439,777**	**354,975**
Provisions		280	374
Retirement benefit obligations	12	1,667	2,135
Deferred tax	7	62,022	33,792
Total provisions for other liabilities and expenses		**63,969**	**36,301**
Subordinated loan capital		780,000	780,000
Total subordinated liabilities	11, 20	**780,000**	**780,000**
Share capital	20	1,686,990	1,533,627
Share premium reserve	20	1,446,637	0
Retained earnings		3,502,949	2,687,307
Total		**6,636,576**	**4,220,934**
Total liabilities and equity		**115,631,707**	**90,982,855**
Note 16, 17, 18, 19			
Assets pledged as security for own liabilities	13	106,657,701	84,222,425
Contingent liabilities	14, 21	3,098	3,921
Commitments	14	10,175,614	7,773,113

Statements of changes in equity

NOK 1000	Share capital 1)	Share premium reserve	Retained earnings	Total equity
Opening balance at 1 Jan 2012	**1,533,627**	**0**	**2,687,307**	**4,220,934**
Total comprehensive income			815,642	815,642
Increase of share capital	153,363	1,446,637		1,600,000
Group contribution				0
Closing balance at 31 December 2012	**1,686,989**	**1,446,637**	**3,502,949**	**6,636,576**

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

[1] The company's share capital at 31 December 2012 was NOK 1.686.989.590,-. The number of shares was 15.336.269, each with a quota value of NOK 110,-. 100 percent of the shares are owned by Nordea Bank Norge ASA.

Cash flow statements

NOK 1000	**2012**	**2011**
Operating activities		
Operating profit before tax	1,136,909	664,024
Income taxes paid	-122,100	-188,810
Change in write-downs to provide for loan losses	-10,831	8,105
Cash flow from operating activities before changes in op. assets and liab.	**1,003,978**	**483,319**
Changes in operating assets and liabilities		
Change in loans to the public	-25,224,046	-7,795,305
Change in debt securities in issue	14,826,201	9,695,136
Change in deposits by credit institutions	6,650,670	-2,350,000
Change in other receivables	515,900	-2,088,812
Change in other liabilities	557,172	1,328,793
Cash flow from operating activities	**-1,670,125**	**-726,869**
Investing activities		
Purchase/sale of tangible fixed assets	0	0
Change in loans and receivables to credit institutions, fixed terms	0	0
Change in holdings of bearer bonds issued by others	0	0
Cash flow from investing activities	**0**	**0**
Financing activities		
Group contribution/dividend paid	0	0
Change in subordinated loan capital	0	780,000
Increase in share capital and premium reserve	1,600,000	0
Cash flow from financing activities	**1,600,000**	**780,000**
Cash flow for the year	**-70,125**	**53,131**
Cash and cash equivalents at 1 January	153,593	100,462
Cash and cash equivalents at 31 December	83,468	153,593
Change	**-70,125**	**53,131**

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 2012 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) and interpretation of such standards by the International Financial Reporting Standards Interpretation Committee (IFRS IC, formerly IFRIC), as endorsed by the EU Commission. In addition, certain complementary rules in the Norwegian Accounting Act with supported regulation have also been applied.

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

On 06 February 2013 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 7th March 2013.

2. Changes to accounting policies and presentation
The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2011 Annual Report.

Changes in IFRSs implemented 2012
IASB has amended IAS 1 Presentation of Financial Statements (Presentation of Items of Other Comprehensive Income), IFRS 7 Financial instruments: Disclosures (Transfers of Financial Assets) and IAS 12 Income taxes (Recovery of Underlying Assets) and the amendments have been implemented in Nordea as from 1 January 2012.

The amendments to IAS 1 have changed Nordea's presentation of other comprehensive income so that items that can later be reclassified to profit or loss are separated from the items that will not. The amendments to IFRS 7 have added disclosure around transferred assets in the financial statements of the Nordea companies. The amended IAS 12 has not had any significant impact on the financial statements or on the capital adequacy in Nordea.

3. Changes in IFRSs not yet applied by Nordea Eiendomskreditt
IFRS 9 Financial instruments (Phase 1)
In 2009 IASB published a new standard on financial instruments, containing requirements for financial assets. Requirements for financial liabilities were added to this standard in 2010. 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.

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 Eiendomskreditt's balance sheet at transition. It is furthermore expected that changes will be made to the standard before the standard becomes effective.

Nordea Eiendomskreditt has, due to the fact that the standard is not yet endorsed by the EU commission, and as changes before the effective date are likely, 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 this standard is as from 1 January 2013, and Nordea Eiendomskreditt will apply the standard from this date. The EU commission has endorsed this standard during 2012.

IFRS 13 clarifies how to measure fair value but does not change the requirements regarding which items should be measured at fair value. In addition, IFRS 13 requires additional disclosures about fair value measurements, especially in level 3.

The assessment is that the new standard will not have a significant impact on Nordea Eiendomskreditt's financial statements nor on its capital adequacy.

IAS 19 Employee Benefits
IASB has amended IAS 19, and the EU commission has endorsed this amendment during 2012. The effective date is as from 1 January 2013, and Nordea Eiendomskreditt will apply the amendment from this date.

The amended standard will have an impact on the financial statements in the period of initial application, as well as in subsequent periods. This is mainly related to defined benefit plans. The amended IAS 19 states that actuarial gains/losses shall be recognised immediately in equity through other comprehensive income, which will lead to higher volatility in equity compared to the current corridor approach. Consequently actuarial gains/losses outside the corridor will not be amortised through the income statement.

The amended IAS 19 furthermore states that the expected return on plan assets shall be recognised using the same interest rate as the discount rate used when measuring the pension obligation. This will likely lead to higher pension expenses in the income statement as Nordea Eiendomskreditt currently expects a higher return than the discount rate. Any difference between the actual return and the expected return will be a part of the actuarial gains/losses recognised immediately in equity through other comprehensive income without recycling to the income statement.

The unrecognised actuarial losses for Nordea Eiendomskreditt as per 31 December 2012 amounted to NOK 0.9m before deduction of income tax. This will at transition have a minor negative impact on equity and also on the capital adequacy. See Note 12 Retirement benefit obligations for more information.

IAS 32 Financial Instruments: Presentation
This standard has been amended, and 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.

The effective date is as from 1 January 2014, but earlier application is permitted. The EU commission has endorsed these amendments during 2012. Nordea Eiendomskreditt will apply this amendment as from 1 January 2013. The tentative assessment is that the amended standard will not have any significant impact on the financial statements or on the capital adequacy.

IFRS 7 Financial instruments: Disclosures
This standard has been amended and will lead to additional disclosures around offsetting of financial assets and financial liabilities.

The effective date is as from 1 January 2013, and Nordea Eiendomskreditt will apply the amendment from this date. The EU commission has endorsed these amendments during 2012. The amended standard will not have any impact on the financial statements, apart from disclosures, or on the capital adequacy.

4. 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. Actual outcome can later, to some extent, differ from the estimates and the assumptions made. In this section Nordea describes:

• the sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year and

• the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant effect on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:
- fair value measurement of financial instruments (hedging portfolio)
- impairment testing of lending to customers
- actuarial calculations of pension liabilities
- valuation of deferred tax assets

Fair value measurement of certain financial instruments
Nordea Eiendomskreditt's accounting policy for determining the fair value of financial instruments is described in section 9 Determination of fair value of

financial instruments and Note 17 Assets and liabilities at fair value.

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.

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

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, judgement has to be exercised to identify the events and/or the observable data that indicate that losses have been incurred in the group of loans. The portfolio is monitored through rating migrations, and a loss event is an event resulting in a negative rating migration. Assessing the net present value of the cash flows generated by the customers in the group contains a degree of uncertainty. This includes the use of historical data on probability of default and loss given default, supplemented by acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

Actuarial calculations of pension liabilities and plan assets related to employees
Nordea Eiendomskreditt's accounting policy for post-employment benefits is described in section 13 Employee benefits.

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 estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough and of high quality and also in connection to the extrapolation of yield curves to relevant maturities. In Norway the discount rate is determined with reference to covered bonds. Other parameters like assumptions about salary increases and inflation are based on the expected long-term development of these parameters and are also subject to estimation uncertainty. The fixing of these parameters at year-end is disclosed in Note 12 Retirement benefit obligations.

The expected return on plan assets is estimated taking into account the asset composition and based on long-term expectations on the 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. Both are subject to estimation uncertainty. The expected return is disclosed in Note 12 Retirement benefit obligations.

Valuation of deferred tax assets
The valuation of deferred tax assets is influenced by management's assessment of Nordea Eiendomskreditt's future profitability. This assessment is updated and reviewed at each balance sheet date, and is, if necessary, revised to reflect the current situation. See also section 12 Taxes and Note 7 Taxes.

5. Recognition of operating income and loan losses

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. The effective interest rate equals the rate that discounts the contractual future cash flows to the carrying amount of the financial asset or financial liability.

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 (generally fees received as compensation for risk).

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

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

Net result from items at fair value
Realised and unrealised gains and losses, on financial instruments measured at fair value through profit or loss include 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 also includes 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 10 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 11 Loans to the public/credit institutions.

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

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

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

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

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.

7. 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 has items only in USD in addition to Norwegian kroner. As at 31.12.2012 the exchange rate was 5.5694.

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

8. Hedge accounting

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.

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. There are three forms of hedge accounting:

- Fair value hedge accounting
- Cash flow hedge accounting
- Hedges of net investments in foreign operations

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 portfolios and individual 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.

9. Determination of fair value of financial instruments

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

Fair value is defined as the 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. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. The absolute level for liquidity and volume required for a market to be labelled active vary with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the frequency is high. For instruments in such a class the liquidity requirements are lower and correspondingly, the age limit for the prices used for establishing fair value is higher.

The labelling of markets to be active or non-active is assessed regularly. The trade frequency and volume are monitored daily.

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.

The adequacy of the valuation model is assessed by measuring its capability to hit market prices. This is done by comparison of calculated prices to relevant benchmark data, e.g. quoted prices from exchange, the counterparty´s valuations, price data from consensus services etc.

Nordea Eiendomskreditt is using valuation techniques to establish fair value for OTC-derivatives.

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 Eiendomskreditt 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.

10. 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 Eiendoms'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 11 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 in the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item Derivatives on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item Derivatives on the liability side.

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

11. Loans to the public/credit institutions

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 6 Recognition and derecognition of financial instruments 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 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.

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
Loans not impaired on an individual basis are collectively tested for impairment.

These 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 been identified on an individual basis. 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 Eiendomskreditt 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 5 Recognition of operating income and loan losses).

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 Eiendomskreditt waive its claims either through a legal based or voluntary reconstruction or when Nordea Eiendomskreditt, 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 Eiendomskreditt has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for Nordea Eiendomskreditt. 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 Eiendomskreditt 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.

12. Taxes

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 is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is only 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.

13. 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 benfits 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. Bort fixed and variable salaries are expensed in the period when the employees have performed services to Nordea Eiendomskreditt.

Post-employment benefits
Pension plans
The company's liabilities in respect of its retirement benefit obligations to its employees are mainly funded schemes

covered by assets in pension funds.

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 as a liability if negative (defined benefit obligations) or as an asset if positive (defined benefit asset). Unfunded pension plans are recognised as defined benefit obligations.

Pension costs
Actuarial calculations, performed annually, are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note 12 Retirement benefit obligations).

When establishing the present value of the obligation and the fair value of any plan assets, actuarial gains and losses may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The actuarial gains and losses are not recognised immediately in the income statement. Rather, only when the net cummulative unrecognised actuarial gain or loss exceeds a corridor, equal to 10% of the greater of the present value of the defined benefit obligations and the fair value of plan assets, the excess is recognised in the income statement over the expected average remaining service period of the employees participating in the plan. Otherwise, actuarial gains and losses are not recognised.

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

14. 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 20 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	**2012**	**2011**
Shares	0	0
Interest-bearing securities	-1,585	214,600
Other financial instruments	-12,413	-17,985
Foreign exchange gains/losses	0	0
Total	**-13,998**	**196,615**

Net gains/losses for categories of financial instruments

NOK 1000	**2012**	**2011**
Foreign currency derivatives	0	0
Financial instruments held for trading	0	0
Financial instruments under hedge accounting	-12,413	-17,985
- of which net losses on hedged items	-571,016	-512,420
- of which net gains on hedging instruments	558,603	494,435
Other financial liabilities	-1,585	214,600
Total	**-13,998**	**196,615**

Note 4:
Staff costs

NOK 1000	2012	2011
Salary and remuneration	1,739	1,849
Pension costs (note 12)	306	161
Social security contribution	251	251
Allocation to profit-sharing	20	12
Other staff costs	30	-20
Total	**2,346**	**2,252**
Number of employees at 31 Dec	2	2
Number of full time equivalents at 31 Dec	1,6	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 incl. vat	757	2,274
- of which ordinary audit fee	757	399
-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	957	100	15	187	1,260
Total for the executive management	**957**	**100**	**15**	**187**	**1,260**
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 2012 for services provided in 2011.

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	**1,317**	**100**	**15**	**187**	**1,620**

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	2012	2011
Services bought from Group companies	142,540	100,635
– hereof related to administration of the lending portfolio	134,785	91,005
– hereof related to treasury services	6,931	8,180
– hereof related to accounting and reporting services	800	1,408
– hereof other costs	24	42
Consulting	1,872	9,124
Auditors' fee	757	399
Other operating expenses	631	375
Total	**145,799**	**110,533**

Note 6:
Loan losses

NOK 1000	2012	2011
Specification of changes in loan losses		
Change in allowances for individually assessed loans	10,370	3,905
Change in allowances for collectively assessed loans	–21,200	4,200
Realised loan losses in the period	2,815	7,711
Recoveries of loan losses realised previous years	–5	–27
Total loan losses for the year	**–8,021**	**15,789**

Specification of allowances for individually assessed loans [1]		
Opening balance at 1 January	11,264	7,359
Increased and new allowances this year	14,026	11,147
Allowances used to cover write-offs	–227	–6,298
Reversals of allowances made in previous years	–3,429	–944
Closing balance at 31 December	**21,634**	**11,264**

[1] Included in Note 8 Loans and receivables and their impairment.

Key ratios	**2012**	**2011**
Loan loss ratio [2]	–0.01%	0.02%
– of which individual	0.01%	0.01%
– of which collective	–0.02%	0.01%

[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	2012	2011
Current tax [1]	293,038	119,166
Deferred tax	28,230	66,853
Total	**321,267**	**186,019**
[1] of which relating to prior years	2,934	0

Calculation of income tax expense

NOK 1000	2012	2011
Profit before tax	1,136,909	664,024
Tax calculated at a tax rate of 28%	318,335	185,927
Non-deductable expenses	24	92
Tax exempt income	-26	**0**
Adjustments related to prior years	2,934	0
Total tax charge	**321,267**	**186,019**
Average effective tax rate	28.3 %	28.0 %

Deferred tax

NOK 1000	2012	2011
Deferred tax expense (-) / income (+)		
Deferred tax due to temporary differences	-28,230	-66,853
Tax expense, net	**-28,230**	**-66,853**
Deferred tax assets, net		
Deferred tax assets due to tax losses		
Deferred tax assets due to temporary differences:		
- Retirement benefit obligations	545	702
- Financial instruments [1]	-61,514	-33,178
- Other	-1,053	-1,316
Deferred tax assets (+) / deferred tax liabilities (-), net	**-62,022**	**-33,792**

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 62.022 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 31.12.2012.

Note 8

Loans and impairment

NOK 1000	31 Dec 2012	31 Dec 2011
Loans and receivables, not impaired	113,762,631	88,540,253
Impaired loans and receivables;	43,135	41,467
- Performing	3,630	8,279
- Non-performing	39,505	33,188
Loans and receivables before allowances	**113,805,766**	**88,581,720**
Allowances for individually assessed impaired loans;	-21,634	-11,264
- Performing	-1,151	-2,153
- Non-performing	-20,482	-9,111
Allowances for collectively assessed impaired loans	-11,800	-33,000
Allowances	**-33,434**	**-44,264**
Loans and receivables, book value	**113,772,333**	**88,537,456**

Ramaining maturity	**31 Dec 2012**	**31 Dec 2011**
Payable on demand	26,425	62,379
Maximin 3 months	39,066	383,513
3–12 months	78,771	342,500
1–5 years	12,987,223	7,818,661
More than 5 years	100,640,848	79,930,403
Total	**113,772,333**	**88,537,456**

Reconciliation of allowance accounts for impaired loans[1]

NOK 1000	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2012	**11,264**	**33,000**	**44,264**
Provisions	14,026		14,026
Reversals	-3,429	-21,200	-24,629
Changes through the income statement	**10,597**	**-21,200**	**-10,603**
Allowances used to cover write-offs	-227	0	-227
Closing balance at 31 Dec 2012	**21,634**	**11,800**	**33,434**

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**

[1] See Note 6 Loan losses

Key ratios

	31 Dec 2012	31 Dec 2011
Impairment rate, gross[2], in %	0,04	0,05
Impairment rate, net[3], in %	0,02	0,03
Total allowance rate[4], in %	0,03	0,05
Allowance rate, impaired loans[5], in %	50,15	27,20
Total allowances in relation to impaired loans, %	77,51	106,70
Non-performing loans, not impaired[6], in NOK 1000	237,293	186,285

[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 2012

NOK 1000	Fair value Positive	Fair value Negative	Total nominal amount
Derivatives used for hedge accounting:			
Interest rate swaps	1,220,609	542,293	75,963,851
Total	**1,220,609**	**542,293**	**75,963,851**
Foreign exchange derivatives:			
Currency and interest rate swaps	12,301	62,605	16,708,276
Total	**12,301**	**62,605**	**16,708,276**
Total derivatives	**1,232,911**	**604,898**	**92,672,127**

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**

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

Assets

NOK 1000	2012	2011
Booked unrealised gain/loss at beginning of the year	425,744	75,957
Revaluation of hedged items during the year	-72,559	349,788
Booked unrealised gain/loss at end of the year	**353,186**	**425,744**
Whereof expected maturity later than 1 year	117,110	101,741

Liabilities

NOK 1000	2012	2011
Booked unrealised gain/loss at beginning of the year	618,062	-282,168
Revaluation of hedged items during the year	503,015	900,230
Booked unrealised gain/loss at end of the year	**1,121,077**	**618,062**
Whereof expected maturity later than 1 year	851,028	215,769

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

NOK 1000	31 Dec 2012	31 Dec 2011
Loans and deposits from financial institutions for a fixed term	21,900,000	15,250,000
Bond loans issued in Norwegian kroner	108,900,000	89,250,000
Holdings of own bonds in Norwegian kroner	-41,524,500	-37,841,500
Bond loans issued in US dollars (in NOK)	16,708,276	17,978,205
Subordinated loan	780,000	780,000
Total nominal value	**106,763,776**	**85,416,705**

Maturity information		
Maximum 1 year	25,972,000	15,250,000
More than 1 year	80,791,776	70,166,705
Total	**106,763,776**	**85,416,705**

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 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 defined benefit scheme was closed for new employees 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.

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.

Assumptions	2012	2011
Discount rate	4.0 %	3.0 %
Salary increase	3.0 %	3.0 %
Inflation	2.0 %	2.0 %
Expected return on assets before taxes	4.0 %	4.0 %
Expected adjustments of current pensions	2.5 %	2.5 %
Expected adjustments of basic Social Security	4.0 %	4.0 %

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 in 2012 was 3.7% (2.6%), mainly driven by the development in government bond holdings. At the end of the year, the equity exposure in the pension fund represented 22% (17%) of total assets.

Note 12:

Retirement benefit obligations cont.

Asset composition in funded schemes

	2012	2011
Equity	22%	17%
Bonds	61%	65%
Real estate	15%	17%
Other assets	2%	1%

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 1.7 mill. (NOK 2.1 mill.).

Amounts recognised in the balance sheet at 31 December

NOK 1000	2012	2011
Pension Benefit Obligation (PBO)	5,360	6,273
Plan assets	2,842	2,726
Total surplus/deficit (-)	**-2,518**	**-3,547**
of which unrecognised actuarial gains(-)/losses	852	1,413
Of which recognised in the balance balance sheet	**1,666**	**2,134**
Of which		
retirement benefit obligations	1,666	2,134
- whereof related to unfunded plans (PBO)	1,487	1,319

Changes in the PBO

NOK 1000	2012	2011
PBO at 1 January	6,009	4,378
Service cost	190	169
Interest cost	181	175
Pensions paid	0	0
Transfer of actuarial gains/losses	0	0
Curtailments and settlements	0	0
Past service cost	0	0
Actuarial gains (-) / losses	-1,226	1,287
Change in provision for Social Security Contribution	0	0
PBO at 31 December	**5,154**	**6,009**

Changes in the fair value of assets

NOK 1000	2012	2011
Assets at 1 January	2,726	2,124
Expected return on assets	113	119
Pensions paid	0	0
Contributions	750	350
Curtailments and settlements		
Actuarial gains (-) / losses	-747	133
Assets at 31 December	**2,842**	**2,726**
Actual return on plan assets	**-634**	**252**

Note 12:
Retirement benefit obligations cont.

Defined benefit pension costs

The total net pension cost recognised in Nordea Eiendomskreditt's income statement (as staff costs) for 2012 is tnok 306 (tnok 161). The amount covers both funded and unfunded pension plans.

Recognised net defined benefit cost

NOK 1000	2012	2011
Service cost	190	169
Interest cost	181	175
Expected return on assets	-113	-119
Recognised actuarial gains(-) / losses	0	0
Recognised past service cost	0	0
Curtailments and settlements	0	0
Amortisation of effect of changes to estimates	82	-8
Net cost	**340**	**217**
Accrued Social Security Contribution	48	31
Pension cost on defined benefit plans	**388**	**248**

The pension cost in 2012 is the same as expected at the start of the year. For 2013, the net pension cost is expected to be tnok 327.

Note 13:
Assets pledged as security for own liabilities

NOK 1000	31. Dec 2012	31. Dec 2011
Assets pledged as security for own liabilities:		
Loans to the public	106,657,701	84,222,425
Total	**106,657,701**	**84,222,425**
The above pledges pertain to the following liability and committment items:		
Debt securities in issue	83,792,777	68,966,576
Total	**83,792,777**	**68,966,576**

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 2012	31 Dec 2011
Accepted, not disbursed loans (unutilised portion of approved overdraft facilities)	10,175,614	7,773,113
Other commitments (note 21)	3,098	3,921
Total	**10,179,535**	**7,777,034**

Note 15:
Capital adequacy

Capital base

NOKm	31 Dec 2012	31 Dec 2011
Core tier 1 capital[1]	6,595	4,165
Tier 1 capital[1]	6,595	4,165
Capital base[1]	7,333	4,889

[1]Including profit for the period

Capital requirement NOKm	31 Dec 2012 Capital requirement	31 Dec 2012 RWA	31 Dec 2011 Capital requirement	31 Dec 2011 RWA
Credit risk	**923**	**11,536**	**1,126**	**14,070**
IRB	885	11,069	1,083	13,539
– of which corporate	–	–	–	–
– of which institutions	–	–	–	–
– of which retail	885	11,069	1,083	13,539
of which retail SME	–	–	–	–
of which retail real estate	807	10,084	1,025	12,815
of which retail other	79	985	58	724
– of which other	–	–	–	–
Standardised	37	467	42	531
– of which sovereign	–	–	–	–
– of which retail	–	–	–	–
– of which other	37	467	42	531
Market risk	**–**	**–**	**–**	**–**
– of which trading book, Internal Approach	–	–	–	–
– of which trading book, Standardised Approach	–	–	–	–
– of which banking book, Standardised Approach	–	–	–	–
Operational risk	**72**	**906**	**60**	**745**
Standardised	72	906	60	745
Sub total	**995**	**12,442**	**1,185**	**14,815**
Adjustment for transition rules				
Additional capital requirement according to transition rules	3,020	37,745	1,922	24,019
Total	**4,015**	**50,187**	**3,107**	**38,834**

Capital ratio excl. transition rules

	31 Dec 2012	31 Dec 2011
Core tier 1 capital ratio[1], %	53.0	28.1
Tier 1 capital ratio[1], %	53.0	28.1
Capital base ratio[1], %	58.9	33.0

[1]Including profit for the period

Capital ratio incl. transition rules

	31 Dec 2012	31 Dec 2011
Core tier 1 capital ratio[1], %	13.1	10.7
Tier 1 capital ratio[1], %	13.1	10.7
Capital base ratio[1], %	14.6	12.6

[1]Including profit for the period

Note 15:
Capital adequacy cont.

Analysis of capital requirements

Exposure class, 31 Dec 2012	Average risk weight (%)	Capital requirement (NOKm)
Corporate IRB	–	–
Institutions IRB	–	–
Retail IRB	9	885
Sovereign	–	–
Other	20	37
Total credit risk	**10**	**923**

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 2012

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						
Cash and balances with sentral banks						0
Loans and receivables to credit institutions	83,468					83,468
Loans and receivables to the public	113,772,333					113,772,333
Derivatives			1,232,911			1,232,911
Fair value changes of the hedged items in portfolio hedge of interest rate risk			353,186			353,186
Property and equipment						0
Deferred tax assets						0
Other assets						0
Prepaid expenses and accrued income	189,810					189,810
Total assets	**114,045,611**	**0**	**1,586,097**	**0**	**0**	**115,631,707**

	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions			21,900,670		21,900,670
Debt securities in issue			83,792,777		83,792,777
Derivatives		604,898			604,898
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,121,077			1,121,077
Current tax liabilities				290,104	290,104
Other liabilities				2,140	2,140
Accrued expenses and prepaid income				439,777	439,777
Retirement benefit obligations				1,667	1,667
Deferred tax				62,022	62,022
Subordinated liabilities			780,000		780,000
Total liabilities	**0**	**1,725,975**	**106,473,447**	**795,709**	**108,995,131**

Note 16:

Classification of financial instruments cont.

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						
Cash and balances with sentral banks						0
Loans and receivables to credit institutions	153,593					153,593
Loans and receivables to the public	88,537,456					88,537,456
Interest-bearing securities						0
Shares						0
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
Property and equipment						0
Deferred tax assets						0
Other 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**

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			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
Dererred 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 17:
Assets and liabilities at fair value

NOK 1000	31 Dec 2012 Book value	31 Dec 2012 Fair value	31 Dec 2011 Book value	31 Dec 2011 Fair value
Assets				
Loans and receivables to credit institutions	83,468	83,468	153,593	153,593
Loans and receivables to the public	113,772,333	113,772,333	88,537,456	88,537,456
Derivatives	1,232,911	1,232,911	1,706,490	1,706,490
Fair value changes of the hedged items in portfolio hedge of interest rate risk	353,186	353,186	425,744	425,744
Property and equipment	0	0	0	0
Deferred tax assets	0	0	0	0
Other assets	659	659	0	0
Prepaid expenses and accrued income	189,151	189,151	159,572	159,572
Total assets	**115,631,707**	**115,631,707**	**90,982,855**	**90,982,855**

	Book value	Fair value	Book value	Fair value
Liabilities				
Deposits by credit institutions	21,900,670	21,900,068	15,250,000	15,248,805
Debt securities in issue	83,792,777	83,944,008	68,966,576	68,785,290
Derivatives	604,898	604,898	634,596	634,596
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,121,077	1,121,077	618,062	618,062
Current tax liabilities	290,104	290,104	119,166	119,166
Other liabilities	2,140	2,140	2,620	2,620
Accrued expenses and prepaid income	439,777	439,777	354,975	354,975
Retirement benefit obligations	1,667	2,518	2,135	3,547
Deferred tax liabilities	62,022	62,022	33,792	33,792
Subordinated liabilities	780,000	780,171	780,000	779,463
Total liabilities	**108,995,131**	**109,146,784**	**86,761,921**	**86,580,315**

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:

NOK 1000	31 Dec 2012 Instruments with quoted prices (Level 1)[1]	31 Dec 2012 Valuation technique using observable data (Level 2)[2]	31 Dec 2011 Instruments with quoted prices (Level 1)[1]	31 Dec 2011 Valuation technique using observable data (Level 2)[2]
Assets				
Loans and receivables to the public				
Interest-bearing securities				
Derivatives		1,232,911		1,706,490
Total assets	**0**	**1,232,911**	**0**	**1,706,490**
Liabilities				
Debt securities in issue				
Derivatives		604,898		634,596
Total liabilities	**0**	**604,898**	**0**	**634,596**

[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 December 2012			31 December 2011		
NOK 1000	NOK	USD	Total	NOK	USD	Total
Assets						
Loans to credit institutions	83,468		83,468	153,593		153,593
Loans to the public	113,772,332		113,772,332	88,537,456		88,537,456
Interest-bearing securities	0		0	0		0
Other assets	1,387,306	388,601	1,775,907	1,755,485	536,321	2,291,806
Total assets	**115,243,106**	**388,601**	**115,631,707**	**90,446,534**	**536,321**	**90,982,855**
Liabilities and equity						
Deposits by credit institutions	21,900,670		21,900,670	15,250,000		15,250,000
Deposits and borrowings from the public	0		0			0
Debt securities in issue	67,125,125	16,667,652	83,792,777	51,056,017	17,910,559	68,966,576
Subordinated liabilities	780,000		780,000	780,000		780,000
Other liabilities and equity	8,725,225	433,035	9,158,260	5,375,856	610,424	5,986,280
Total liabilities and equity	**98,531,020**	**17,100,687**	**115,631,707**	**72,461,873**	**18,520,982**	**90,982,855**
Position not reported in the balance sheet	**-16,708,276**	**16,708,276**	**0**	**-17,978,205**	**17,978,205**	**0**
Net position, currencies	**3,809**	**-3,809**	**0**	**6,456**	**-6,456**	**-0**

Note 19:

Maturity analysis for assets and liabilities

31 Des 2012

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	83,468						83,468
Loans to the public	26,425	39,066	78,771	12,987,223	100,640,848		113,772,333
Derivatives		62,974		518,192	651,744		1,232,911
Fair value changes of the hedged items in portfolio hedge of interest rate risk		358	7,296	318,180	27,352		353,186
Other assets		189,136				674	189,810
Total assets	**109,893**	**291,534**	**86,067**	**13,823,595**	**101,319,944**	**674**	**115,631,707**
Liabilities and equity							
Liabilities to financial institutions		21,900,000					21,900,000
Liabilities to the public	670						670
Debt securities in issue			4,070,281	70,263,836	9,458,661		83,792,778
Derivatives		5,146	24,569	292,141	283,042		604,898
Fair value changes of the hedged items in portfolio hedge of interest rate risk				644,478	476,598		1,121,076
Other liabilities		217,405	512,630			65,674	795,709
Subordinated liabilities					780,000		780,000
Equity						6,636,576	6,636,576
Total liabilities and equity	**670**	**22,122,552**	**4,607,480**	**71,200,455**	**10,998,301**	**6,702,250**	**115,631,707**
Net total on all items	**109,223**	**-21,831,018**	**-4,521,413**	**-57,376,860**	**90,321,643**	**-6,701,576**	**(0)**

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

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	512,687
Subordinated liabilities					780,000		780,000
Equity						4,220,934	4,220,934
Total liabilities and equity	**0**	**15,856,463**	**352,436**	**58,164,350**	**12,349,390**	**4,260,216**	**90,982,855**
Net total on all items	**215,972**	**-14,978,317**	**-3,556**	**-48,925,325**	**67,951,443**	**-4,260,216**	**0**

Note 20:
Related-party transactions

NOK 1000	2012		2011	
	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	7,524		4,169	
Net gains/losses on items at fair value	563,349		703,229	
Total income	570,873	–	707,398	–
Interest expenses on liabilities to financial institutions	475,708		335,324	
Interest and related expense on securities issued incl. hedging	595,806		1,077,969	
Net gains/losses on items at fair value				
Interest and related expense on subordinated loan capital	48,031		4,891	
Commission and fee expense for banking services	86		41	
Other operating expenses	141,620	920	100,004	631
Total expenses	1,261,715	920	1,518,228	631
Proposed group contribution	–		–	
Balance sheet				
Loans and receivables to credit institutions	83,468		153,593	
Derivatives	1,232,911		1,706,490	
Total assets	1,316,379	–	1,860,083	–
Deposits by credit institutions	21,900,000		15,250,000	
Issued bonds	20,000,000		20,000,000	
Derivatives	323,870		240,901	
Accrued expenses and prepaid income	6,345		10,327	
Subordinated loan capital	780,000		780,000	
Share capital and premium fund	3,133,627		1,533,627	
Total libilities and equity	46,143,842	–	37,814,855	–
Off balance sheet items				
Interest rate swaps (nominal value)	92,672,127		50,129,345	

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 2012 amounted to NOK 3.1 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) 2012, 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 2012	31 Dec 2011
Loans to credit institutions	83	154
Loans to the public incl accrued interest	113,961	88,697
– of which household	113,961	88,697
Total loans and receivables	**114,045**	**88,851**
Off balance credit exposure		
– herav utlån til personkunder	10,176	7,773
– herav derivatkontrakter	628	1,072
Off balance credit exposure	**10,804**	**8,845**
Total credit exposure	**124,849**	**97,696**

Past due loans

NOKm	31 Dec 2012	31 Dec 2011
6–30 days	1,289	1,317
31–60 days	254	379
61–90 days	81	58
>90 days	15	36
Total	**1,639**	**1,790**

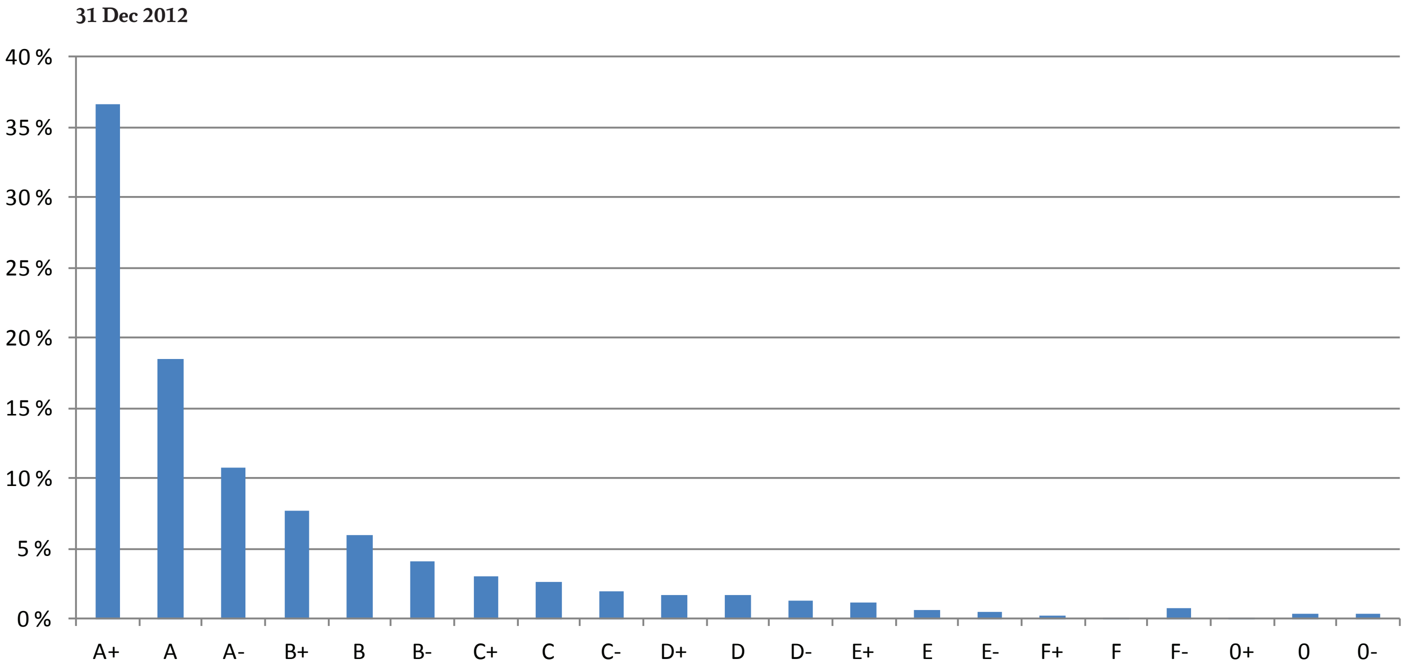
Note 23:

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, 2012, 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.

KPMG

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, 2012, 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 2012 financial statements.

Bergen, 6 February 2013
KPMG AS

Bjarne Haldorsen
State Authorized 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 of Nordea Eiendomskreditt AS for 2012, including comparative figures for 2011 (the "2012 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 2012 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 2012 and as at 31 December 2011.

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, 6 February 2013

Jon Brenden Chairman of the Board	Børre Gundersen Member of the Board	Fanny Borgström Member of the Board
Eva I. E. Jarbekk Member of the Board	Monica Blix Member of the Board	Marianne Glatved Managing director

Report by the Control Committee 2012

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

During 2012 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 2012 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 2012 the Control Committee refers to the auditor's report of 6 February 2013 and supports the views expressed therein concerning the submitted annual accounts.

Oslo, 7 February 2013

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

Governing bodies 31 December 2012

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 and partner, Advokatfirmaet Thommessen AS, Oslo
Tom Knoff	Consultant, 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 Stor-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 and Oppland, Nordea Bank Norge ASA
Mathias Martinsen	Management partner, Group Operations & Other Lines of Business, Nordea Bank Norge ASA

Auditor

KPMG
Bjarne Risnes Haldorsen (State Authorized Public Accountant)
St. Jakobs plass 9
5008 Bergen

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