

Interim Report 1st quarter 2012

Nordea Eiendoms kreditt AS

Nordea Eiendoms kreditt 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. We are making it possible for our 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, more than 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.

Key financial figures

Summary of income statement (NOK mill.)

	Jan-Mar 2012	Jan-Mar 2011	Year 2011
Net interest income	230	183	562
Net gains/losses on items at fair value	-4	119	197
Other income	12	7	33
Total operating income	238	309	792
Total operating expenses	-37	-26	-113
Loan losses (negative figures are reversals)	3	3	16
Operating profit	198	280	664
Income tax expense	56	81	186
Net profit for the period	143	199	478

Summary of balance sheet (NOK mill.)

	31 Mar 2012	31 Mar 2011	31 Dec 2011
Instalment loans, net	100,538	82,994	88,537
Other assets	1,836	342	2,445
Debt securities in issue	77,001	53,053	68,967
Other liabilities	21,009	26,342	17,795
Equity	4,364	3,942	4,221
Total assets	102,374	83,336	90,983
Average total assets	97,069	82,217	84,809

Ratios and key figures

	31 Mar 2012	31 Mar 2011	31 Dec 2011
Earnings per share (NOK), annualised basis	37,3	52,6	31,2
Equity per share ¹ (NOK)	284,5	257,0	275,2
Shares outstanding ¹ , million	15,3	15,3	15,3
Post-tax return on average equity	13.6 %	23.5 %	12.8 %
Cost/income ratio	15.5 %	8.6 %	14.2 %
Core tier 1 capital ratio, excl. transition rules ^{1,2}	24.6 %	27.4 %	28.1 %
Tier 1 capital ratio, excl. transition rules ^{1,2}	24.6 %	27.4 %	28.1 %
Total capital ratio, excl. transition rules ^{1,2}	28.8 %	27.4 %	33.0 %
Core tier 1 capital ratio incl. transition rules ^{1,2}	9.4 %	10.1 %	10.7 %
Tier 1 capital ratio incl. transition rules ^{1,2}	9.4 %	10.1 %	10.7 %
Total capital ratio incl. transition rules ^{1,2}	11.0 %	10.1 %	12.6 %
Capital base (NOK mill.) ¹	4,866	3,663	4,889
Risk-weighted assets incl. transition rules (NOK mill) ¹	44,382	36,153	38,834
Loan loss ratio, basis points	1.1	1.6	2.0
Number of employees (full-time equivalents) ¹	1.6	1.5	1.5

¹ At the end of the period.

² Excluding the result for the first three months.

Nordea Eiendomskreditt AS

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

Nordea Eiendomskreditt's business objective is to acquire long term Norwegian residential mortgage loans from the parent bank, and to fund its lending activities primarily via issuance of covered bonds (bonds with a priority right of recourse to the company's collateral for its lending). Nordea Eiendomskreditt AS is a wholly owned subsidiary of Nordea Bank Norge ASA.

Income statement

Profit from ordinary activities after loan losses but before tax for the first three months of 2012 was NOK 198.3 million (NOK 279.8 million). The profit reported is equivalent to a post-tax return on average equity of 13.6% (23.5%) on an annualised basis.

Net interest income for the three months ending 31 March 2012 increased by 26% compared to the same period last year, and amounted to NOK 230.4 million (NOK 182.9 million).

Total operating expenses for the first three months amounted to NOK 37.0 million (NOK 26.2 million), of which cost related to management of the lending portfolio and customer contact stands for 90% and has increased along with the increase in the lending portfolio. Loan losses and provisions recognised in the accounts for the first three months totalled NOK 2.7 million (NOK 3.3 million), all of which relates to individually assessed loans.

Total assets amounted to NOK 102,374 million as at 31 March 2012 (NOK 83,336 million).

Equity and capital adequacy

The company's share capital was NOK 1,534 million at the end of the first quarter. Total equity as at 31 March 2012, including undistributed post-tax profit for the year to date, amounted to NOK 4,364 million.

The company's net capital base, calculated in accordance with the Basel II regulations, amounted to NOK 4,866 million (NOK 3,663 million) at the end of the first three months. NOK 780 million hereof is subordinated loan capital.

Risk weighted assets excluding the transition rules totalled NOK 16,896 million at the close of the first quarter as

compared to NOK 44,382 million including the transition rules.

The capital ratio was 28.8% excluding the transition rules and 11.0% including the transition rules. Profit for the year to date is not included in the calculation of the capital ratio since these earnings are not yet audited.

Primary capital was NOK 3,514 million higher than the minimum Pillar 1 capital requirement of NOK 1,352 million excluding the transition rules. The transition rules states that the capital requirements until the end of 2012 should be calculated as 80% of the Basel I capital requirements.

Funding

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

During the first three months of 2012 Nordea Eiendomskreditt has issued covered bonds amounting to NOK 8.9 billion in the Norwegian domestic market under its NOK 75 billion domestic covered bond program. As of 31 March 2012, Nordea Eiendomskreditt had outstanding covered bonds totalling NOK 40.3 billion in the Norwegian market and USD 3.0 billion in the US market. In addition, Nordea Eiendomskreditt had outstanding NOK 20.0 billion of covered bonds issued in connection with swap arrangements provided by the Norwegian government. Nordea Eiendomskreditt also had subordinated debt outstanding to the amount of NOK 0.78 billion.

In addition, the company has short-term unsecured borrowing from the parent bank of NOK 18.6 billion as at 31 March 2012.

Rating

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

Lending

The gross book value of loans outstanding amounted to NOK 100.6 billion as at 31 March 2012 (NOK 83.0 billion), which consists entirely of residential mortgage loans that are managed by Nordea Bank Norge ASA. NOK 93.6 billion of the loan portfolio is included in the collateral pool for the purposes of the calculation of the asset coverage requirement under the covered bond legislation. This represents surplus collateral of 20.7% in relation to covered bonds issued.

Interest rate and currency hedging

The company uses interest rate and currency swaps to hedge interest rate and currency risk. At the close of the first quarter of 2012, the company was party to interest rate swaps with nominal value of NOK 43.9 billion. In accordance with IFRS, fair value changes of interest rate swaps and the corresponding hedged items (fixed-rate lending and fixed-rate issued bonds) due to changes in market rates, are recognised in the profit and loss accounts.


Nordea Eiendoms kreditt issued bonds totalling USD 3 billion in the US market last year. In order to eliminate the foreign exchange risk, the company has entered into currency swaps of the same amount, corresponding to a NOK value of 17.1 billion. Nordea Bank Norge ASA is counterparty to all derivative contracts.

Impaired loans

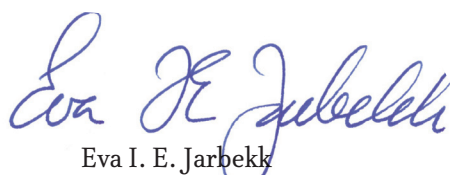
As at 31 March 2012 impaired loans amounted to NOK 46.9 million which corresponds to 0.05% of the total lending portfolio. Individual allowances of NOK 14.0 million have been made, and net impaired loans were NOK 32.9 million at 31 March 2012, compared to NOK 18.7 million at 31 March 2011.

Nordea Eiendoms kreditt AS
Oslo, 9 May 2012



Jon Brenden
Chairman of the Board


Børre Gundersen
Board member


Fanny Borgström
Board member


Eva I. E. Jarbekk
Board member


Monica Blix
Board member


Marianne Glatved
Managing director

Income statement

NOK 1000	Note	Jan-Mar 2012	Jan-Mar 2011	Year 2011
Interest and related income on loans and deposits with financial institutions		1,147	447	4,169
Interest and related income on loans to customers		931,572	696,806	3,000,814
Other interest and related income		0	0	468
Total interest and related income		932,720	697,254	3,005,451
Interest and related expense on liabilities to financial institutions		103,177	82,267	335,324
Interest and related expense on securities issued		524,934	451,455	1,950,216
Interest and related expense on subordinated loan capital		13,084		4,891
Other interest and related expense		61,100	-19,362	152,523
Total interest and related expense		702,295	514,360	2,442,954
Net interest income		230,425	182,893	562,497
Fee and commission income		12,279	7,755	35,345
Fee and commission expense		563	540	1,857
Net fee and commission income		11,715	7,215	33,488
Net result from items at fair value	3	-4,103	119,212	196,615
Total operating income		238,037	309,320	792,600
Staff costs		647	599	2,253
Other expenses		36,347	25,614	110,533
Total operating expenses		36,994	26,213	112,787
Profit before loan losses		201,043	283,108	679,813
Loan losses (negative figures are reversals)	4	2,695	3,300	15,789
Operating profit		198,347	279,808	664,024
Income tax expense		55,538	80,958	186,019
Net profit for the period		142,810	198,850	478,005
Attributable to:				
Shareholder of Nordea Eiendoms kreditt AS		142,810	198,850	478,005
Total		142,810	198,850	478,005

Statement of comprehensive income

NOK 1000	Jan-Mar 2012	Jan-Mar 2011	Year 2011
Net profit for the period	142,810	198,850	478,005
Other comprehensive income	0	0	0
Total comprehensive income	142,810	198,850	478,005
Attributable to:			
Shareholder of Nordea Eiendoms kreditt AS	142,810	198,850	478,005
Total	142,810	198,850	478,005

Balance sheet

NOK 1000	Note	31 Mar 2012	31 Mar 2011	31 Dec 2011
Assets				
Loans to credit institutions, payable on demand		247,246	150,507	153,593
Total loans to credit institutions		247,246	150,507	153,593
Loans to the public		100,585,396	83,032,756	88,581,720
Allowance for individually assessed loans		-14,039	-11,588	-11,264
Allowance for collectively assessed loans		-33,000	-26,800	-33,000
Net loans to the public	4	100,538,357	82,994,368	88,537,456
Deferred tax assets		0	115	0
Total intangible assets		0	115	0
Derivatives	6	947,520	7,757	1,706,490
Fair value changes of the hedged items in portfolio hedge of interest rate risk		389,218	32,214	425,744
Other assets		69,862	49,864	0
Total other assets		1,406,599	89,835	2,132,234
Accrued income and prepaid expenses		182,076	101,471	159,572
Total assets		102,374,278	83,336,296	90,982,855
Liabilities and equity				
Deposits by credit institutions, fixed term		18,550,000	25,700,000	15,250,000
Total deposits by credit institutions		18,550,000	25,700,000	15,250,000
Debt securities in issue		77,001,420	53,052,747	68,966,576
Derivatives	6	508,976	966,710	634,596
Fair value changes of the hedged items in portfolio hedge of interest rate risk		551,055	-750,946	618,062
Current tax liabilities		5,321	159,822	119,166
Other liabilities		464	-208	2,246
Total other liabilities		1,065,816	375,378	1,374,070
Accrued expenses and prepaid income		501,924	264,040	354,975
Provisions		374	467	374
Retirement benefit obligations		2,232	1,887	2,135
Deferred tax		108,769	0	33,792
Total provisions for other liabilities and expenses		111,375	2,354	36,301
Subordinated loan capital		780,000		780,000
Total subordinated liabilities		780,000	0	780,000
Share capital		1,533,627	1,533,627	1,533,627
Retained earnings		2,830,117	2,408,151	2,687,307
Total equity		4,363,744	3,941,778	4,220,934
Total liabilities and equity		102,374,278	83,336,296	90,982,855
Note 5				
Assets pledged as security for own liabilities		93,558,217	77,959,695	84,222,425
Contingent liabilities		3,921	4,724	3,921
Commitments		8,137,642	7,741,645	7,773,113

Statement of changes in equity

NOK 1000	Share capital ¹⁾	Other equity	Total equity
Opening balance at 1 Jan 2012	1,533,627	2,687,307	4,220,934
Group contribution		0	0
Total comprehensive income		142,810	142,810
Closing balance at 31 March 2012	1,533,627	2,830,117	4,363,744

NOK 1000	Share capital ¹⁾	Other equity	Total equity
Opening balance at 1 Jan 2011	1,533,627	2,209,301	3,742,928
Group contribution			0
Total comprehensive income		478,005	478,005
Closing balance at 31 December 2011	1,533,627	2,687,307	4,220,934


NOK 1000	Share capital ¹⁾	Other equity	Total equity
Opening balance at 1 Jan 2011	1,533,627	2,209,301	3,742,928
Group contribution			0
Total comprehensive income		198,850	198,850
Closing balance at 31 March 2011	1,533,627	2,408,151	3,941,778

¹⁾ The company's share capital at 31 March 2012 was NOK 1.533.626.900,-. The number of shares was 15.336.269, each with a quota value of NOK 100,-. 100 percent of the shares are owned by Nordea Bank Norge ASA.


Nordea Eiendomskreditt AS

Oslo, 9 May 2012



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Marianne Glatved
Managing director

Cash flow statement

NOK 1000	Jan-Mar 2012	Jan-Mar 2011	Year 2011
Operating activities			
Operating profit before tax	198,347	279,808	664,024
Income taxes paid	-94,405	-77,000	-188,810
Change in write-downs to provide for loan losses	2,775	2,229	8,105
Cash flow from operating activities before changes in op. assets and liab.	106,717	205,037	483,319
Changes in operating assets and liabilities			
Change in loans to the public	-12,003,676	-2,246,341	-7,795,305
Change in debt securities in issue	8,034,844	-6,218,693	9,695,136
Change in deposits by credit institutions	3,300,000	8,100,000	-2,350,000
Change in other receivables	703,131	11,687	-2,088,812
Change in other liabilities	-47,363	198,356	1,328,793
Cash flow from operating activities	93,653	50,046	-726,869
Investing activities			
Change in loans and receivables to credit institutions, fixed terms	0	0	0
Change in holdings of bearer bonds issued by others	0	0	0
Cash flow from investing activities	0	0	0
Financing activities			
Group contribution/dividend paid	0	0	0
Change in subordinated loan capital	0	0	780,000
Recognised directly in equity	0	0	0
Cash flow from financing activities	0	0	780,000
Cash flow for the period	93,653	50,046	53,131
Cash and cash equivalents at beginning of period	153,593	100,462	100,462
Cash and cash equivalents at end of period	247,246	150,508	153,593
Change	93,653	50,046	53,131

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

Notes to the financial statement

Note 1 Accounting policies

The accounts of Nordea Eiendomskreditt AS have been prepared in accordance with the Norwegian Accounting Act and the International Financial Reporting Standards (IFRS) as endorsed by the EU Commission. The interim accounts for the period 1 January to 31 March 2012 are presented in accordance with IAS 34 Interim Financial Reporting. The company's accounting principles are unchanged in comparison with the Annual Report for 2011.

Note 2 Segment information

The activities of Nordea Eiendomskreditt AS 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 is to all practical purposes managed as a single segment. The services provided by Nordea Eiendomskreditt AS are judged to be subject to the same risks and yield requirements. Nordea Eiendomskreditt AS is part of the Nordic Banking segment of the Nordea Bank Norge group.

Note 3 Net result from items at fair value

NOK 1000	Jan-Mar 2012	Jan-Mar 2011	Year 2011
Interest-bearing securities		127,500	214,600
Other financial instruments	-4,103	-8,288	-17,985
Foreign exchange gains/losses			
Total	-4,103	119,212	196,615

Net gains/losses for categories of financial instruments

NOK 1000	Jan-Mar 2012	Jan-Mar 2011	Year 2011
Foreign currency derivatives			
Financial instruments under hedge accounting	-4,103	-8,288	-17,985
– of which net losses on hedged items	4,339	418,930	-512,420
– of which net gains on hedging instruments	-8,442	-427,218	494,435
Other financial liabilities		127,500	214,600
Total	-4,103	119,212	196,615

The realised gains on interest bearing securities is related to buy backs of issued debt.

Note 4 Loans and their impairment

Loan losses

NOK 1000	Jan-Mar 2012	Jan-Dec 2011	Jan-Mar 2011
Change in allowances for individually assessed loans	2,697	3,905	3,763
Change in allowances for collectively assessed loans		4,200	-2,000
Realised loan losses in the period		7,711	1,543
Recoveries of loan losses realised previous years	-2	-27	-6
Total loan losses for the period	2,695	15,789	3,300

Reconciliation of allowance accounts for impaired loans

NOK 1000	Jan-Mar 2012			Jan-Dec 2011			Jan-Mar 2011		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at beginning of period	11,264	33,000	44,264	7,359	28,800	36,159	7,359	28,800	36,159
Provisions	2,846		2,846	11,147	24,800	35,947	4,644	0	4,644
Reversals	-149		-149	-944	-20,600	-21,544	-2	-2,000	-2,002
Changes through the income statement	2,697	0	2,697	10,203	4,200	14,403	4,642	-2,000	2,642
Allowances used to cover write-offs	78		78	-6,298	0	-6,298	-413	0	-413
Closing balance at end of period	14,039	33,000	47,039	11,264	33,000	44,264	11,588	26,800	38,388

Loans and their impairment

NOK 1000	31 Mar 2012	31 Dec 2011	31 Mar 2011
Loans, not impaired	100,538,510	88,540,253	83,002,503
Impaired loans;	46,886	41,467	30,253
- Performing	8,296	8,279	3,782
- Non-performing	38,590	33,188	26,470
Loans before allowances	100,585,396	88,581,720	83,032,756
Allowances for individually assessed impaired loans;	-14,039	-11,264	-11,588
- Performing	-2,062	-2,153	-3,138
- Non-performing	-11,977	-9,111	-8,318
Allowances for collectively assessed impaired loans	-33,000	-33,000	-26,800
Allowances	-47,039	-44,264	-38,388
Loans, book value	100,538,357	88,537,456	82,994,368

Key ratios

	31 Mar 2012	31 Dec 2011	31 Mar 2011
Impairment rate, gross ¹ , in %	0.05	0.05	0.04
Impairment rate, net ² , in %	0.03	0.03	0.02
Total allowance rate ³ , in %	0.05	0.05	0.05
Allowance rate, impaired loans ⁴ , in %	29.9	27.2	38.3
Total allowances in relation to impaired loans, in %	100.3	106.7	126.9
Non-performing loans, not impaired ⁵ , in NOK 1000	228,061	186,285	110,240

¹ Individually assessed impaired loans before allowances divided by total loans before allowances.

² Individually assessed impaired loans after allowances divided by total loans before allowances.

³ Total allowances divided by total loans before allowances.

⁴ Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.

⁵ Past due loans, not impaired due to future cash flows (included in Loans, not impaired).

Note 5 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.

Assets NOK 1000	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Loans to credit institutions	247,246					247,246
Loans to the public	100,538,357					100,538,357
Derivatives			947,520			947,520
Fair value changes of the hedged items in portfolio hedge of interest rate risk	389,218					389,218
Deferred tax assets						0
Other assets	69,862					69,862
Prepaid expenses and accrued income	182,076					182,076
Total 31 March 2012	101,426,758	0	947,520	0	0	102,374,278
Total 31 December 2011	89,276,365	0	1,706,490	0	0	90,982,855
Total 31 March 2011	83,328,424	0	7,757	0	115	83,336,298

Liabilities NOK 1000	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Deposits by credit institutions			18,550,000		18,550,000
Debt securities in issue			77,001,420		77,001,420
Derivatives		508,976			508,976
Fair value changes of the hedged items in portfolio hedge of interest rate risk			551,055		551,055
Current tax liabilities				5,321	5,321
Other liabilities				838	838
Accrued expenses and prepaid income				501,924	501,924
Retirement benefit obligations				2,232	2,232
Deferred tax liabilities				108,769	108,769
			780,000		780,000
Total 31 March 2012	0	508,976	96,882,475	619,083	98,010,534
Total 31 December 2011	0	634,596	85,614,638	512,688	86,761,921
Total 31 March 2011	0	966,710	78,001,801	426,008	79,394,519

Note 6 Derivatives

31 March 2012

NOK 1000	Fair value		Total nominal amount
	Positive	Negative	
Derivatives used for hedge accounting:			
Interest rate swaps	622,846	508,976	43,862,643
Currency interest rate swaps	324,673	0	17,079,964
Total	947,520	508,976	60,942,607
Total derivatives	947,520	508,976	60,942,607

31 December 2011

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

31 March 2011

NOK 1000	Fair value		Total nominal amount
	Positive	Negative	
Derivatives used for hedge accounting:			
Interest rate swaps	7,757	966,710	16,910,000
Currency interest rate swaps			
Total	7,757	966,710	16,910,000
Total derivatives	7,757	966,710	16,910,000

Note 7 Capital adequacy

Capital base

	31-Mar 2012	31-Dec 2011	31-Mar 2011
NOKm			
Core tier 1 capital ¹	4,153	4,165	3,663
Tier 1 capital ¹	4,153	4,165	3,663
Capital base ¹	4,866	4,889	3,663

	31-Mar 2012	31-Mar 2012	31-Dec 2011	31-Dec 2011	31-Mar 2011	31-Mar 2011
Capital requirement						
NOKm	Capital requirement	RWA	Capital requirement	RWA	Capital requirement	RWA
Credit risk	1,279	15,990	1,126	14,070	1,012	12,645
IRB	1,247	15,582	1,083	13,539	1,008	12,599
- of which corporate	-	-	-	-	-	-
- of which institutions	-	-	-	-	-	-
- of which retail	1,247	15,582	1,083	13,539	1,008	12,599
of which retail SME	-	-	-	-	-	-
of which retail real estate	1,172	14,648	1,025	12,815	951	11,883
of which retail other	75	933	58	724	57	716
- of which other	-	-	-	-	-	-
Standardised	33	409	42	531	4	46
- of which sovereign	-	-	-	-	-	-
- of which retail	-	-	-	-	-	-
- of which other	33	409	42	531	4	46
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	60	745
Standardised	72	906	60	745	60	745
Sub total	1,352	16,896	1,185	14,815	1,071	13,390

Adjustment for transition rules

Additional capital requirement according to transition rules	2,199	27,486	1,922	24,019	1,821	22,763
Total	3,551	44,382	3,107	38,834	2,892	36,153

* Note that the comparison figures as of 31-Mar 2011 are not restated with respect to CRD III

Capital ratio excl. transition rules

	31-Mar 2012	31-Dec 2011	31-Mar 2011
Core tier 1 capital ratio ¹ , %	24.6	28.1	27.4
Tier 1 capital ratio ¹ , %	24.6	28.1	27.4
Capital base ratio ¹ , %	28.8	33.0	27.4

Capital ratio incl. transition rules

	31-Mar 2012	31-Dec 2011	31-Mar 2011
Core tier 1 capital ratio ¹ , %	9.4	10.7	10.1
Tier 1 capital ratio ¹ , %	9.4	10.7	10.1
Capital base ratio ¹ , %	11.0	12.6	10.1

Analysis of capital requirements

Exposure class, 31-Mar 2012	Average risk weight (%)	Capital requirement (NOKm)
Corporate IRB	-	-
Institutions IRB	-	-
Retail IRB	14	1,247
Sovereign	-	-
Other	20	33
Total credit risk	14	1,279

¹Excluding profit for the period, except for year-end which is including profit.

Note 8 Risks and uncertainties

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

Nordea Eiendomskreditt is also exposed to risks such as market risk, liquidity risk and operational risk. Further

information on the composition of the company's risk exposure and risk management can be found in the Annual Report for 2011.

The company does not anticipate that the exposures and risks mentioned above will have any material adverse effect on the company over the next three months.

Note 9 Transactions with related parties

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

Interest rate risk and currency risk that arise as part of Nordea Eiendomskreditt's normal business activities, are hedged using interest rate and currency swaps. The parent bank, Nordea Bank Norge ASA is counterparty to all derivative contracts. The volume and fair value of the derivative contracts are shown in note 6.

Nordea Bank Norge also provides short term funding to Nordea Eiendomskreditt, and the bank is the owner of bond issued by Nordea Eiendomskreditt worth of NOK 20 billion as at 31 March 2012.

Loans to the public, that make up Nordea Eiendomskreditt's cover pool, are purchased from Nordea Bank Norway. Instalments, early redemptions

and refinancings will reduce the company's loan portfolio. Loans that cease to be a part of the portfolio, are replaced by new purchases of loans from the parent bank. This year to date, loans amounting to NOK 20.5 billion have been transferred from Nordea Bank Norway to Nordea Eiendomskreditt.

The loans transferred are continued to be managed by Nordea Bank Norway. For this service Nordea Eiendomskreditt has paid Nordea Bank Norway an amount of NOK 33.5 million in the first quarter of 2012.

Nordea Eiendomskreditt also buys services related to funding and risk control, accounting and reporting from other Nordea companies according to agreements entered into. All group internal transactions are settled according to the arms length principle.