Nordea

Annual Report 2013

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. 800 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.)

	2013	2012
Net interest income	**2,059**	**1,241**
Net result from items at fair value	24	-14
Other income	50	51
Total operating income	**2,133**	**1,277**
Staff costs	-2	-2
Other expenses	-153	-146
Total operating expenses	**-155**	**-148**
Loan losses (negative figures are reversals)	10	-8
Operating profit	**1,969**	**1,137**
Income tax expense	545	321
Net profit for the year	**1,423**	**816**

Summary of balance sheet (NOK mill.)

	2013	2012
Loans to the public	116,542	113,806
Allowance for loan losses	-40	-33
Other assets	2,890	1,859
Debt securities in issue	87,830	83,793
Other liabilities	23,536	25,202
Equity	8,026	6,636
Total assets	**119,392**	**115,632**
Average total assets	121,950	108,879

Ratios and key figures

	2013	2012
Earnings per share (NOK)	92.8	53.2
Equity per share [1] (NOK)	523.4	432.7
Shares outstanding [1], million	15.3	15.3
Post-tax return on average equity	19.5 %	17.0 %
Cost/income ratio	7.3 %	11.6 %
Core tier 1 capital ratio, excl. transition rules [1]	71,8 %	53.0 %
Tier 1 capital ratio, excl. transition rules [1]	71,8 %	53.0 %
Total capital ratio, excl. transition rules [1]	78,5 %	58.9 %
Core tier 1 capital ratio incl. transition rules [1]	15,1 %	13.1 %
Tier 1 capital ratio incl. transition rules [1]	15,1 %	13.1 %
Total capital ratio incl. transition rules [1]	16,5 %	14.6 %
Capital base (NOK mill.) [1]	8 785	7,333
Risk-weighted assets incl. transition rules (NOK mill) [1]	53 110	50,187

[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 (NBN). 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 amounts to NOK 1,687m, made up of 15,336,269 ordinary shares, each of nominal value NOK 110. The entire issued share capital is owned by Nordea Bank Norge ASA.

Highlights of 2013

The company reported a pre-tax profit for 2013 of NOK 1,969m, an increase from NOK 1,137m in 2012. Net lending was NOK 116.5bn at 31 December 2013 as compared to NOK 113.8bn at 31 December 2012. The company issued covered bonds in 2013 totalling NOK 10.1bn in the Norwegian market.

Comments on the Income statement

Total operating income was NOK 2,133m (compared to NOK 1,277m in 2012) which gives an increase of 67%.

Net interest income increased by 66% to NOK 2,059m (NOK 1,241m in 2012). The increase is due to a higher interest margin in the lending portfolio in 2013, as well as a higher lending volume.

Net fee and commission income changed insignificantly from 2012 to 2013 and ended at NOK 50.3m (NOK 50.5m in 2012). The income regards lending related commissions. The lending portfolio as well as average loan size have been higher in 2013, but the number of loans in the portfolio has remained nearly the same as in 2012.

Net result from items at fair value ended at an income of NOK 23.8m (cost of NOK 14.0m in 2012). In accordance with IFRS, net result from items at fair value includes both realized gain/loss from buy-backs of own bonds, and 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 35.7m in 2013 (NOK -12.4m in 2012).

Total operating expenses went up by 4.5% to NOK 154.8m (NOK 148.1m in 2012). 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 remained at approximately the same level as 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 0.13% of average total assets (0.14%). Nordea Eiendomskreditt AS does not incur any costs for research and development activities.

Net loan losses for 2013 ended at NOK 9.9m. Allowances for collectively assessed loans were increased by NOK 5.7m during the year, and loan losses for individually assessed loans amounted to NOK 4.2m. Comparable figures for 2012 were a decrease in collective allowances of NOK 21.2m and loan losses for individually assessed loans of NOK 13.2m, in total a net income of NOK 8.0m.

Taxes for the year amounted to NOK 545.1m, of which NOK 526.9m relates to tax payable, NOK 21.2m was due to changes in deferred tax and NOK -3.0m is a correction of taxes for previous years.

Net profit for the year amounted to NOK 1,423.4m (compared to NOK 815.6m for 2012). This gives a return on average equity of 19.5% (17.0%).

Comments on the Balance sheet

Assets and lending activities

Gross lending to customers at 31 December 2013 amounted to NOK 116.5bn compared to NOK 113.8bn at the end of 2012, representing an increase of 2.4%. Gross lending consists only of residential mortgage loans and loans to holiday houses, used as collateral in securing the covered bonds issued by the company. NOK 107.7bn 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 24.1% in relation to the covered bonds issued.

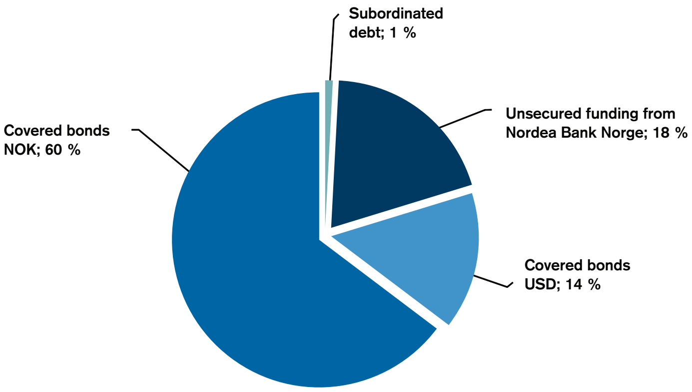
Liabilities and funding activities

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 only of Norwegian residential mortgage loans and loans to holiday houses in Norway.

During 2013 Nordea Eiendomskreditt has issued covered bonds amounting to NOK 10.1bn 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 2013, Nordea Eiendomskreditt had outstanding covered bonds totalling NOK 49.8bn 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 2013 such borrowings amounted to NOK 20.5bn.

The following figure shows the company's funding structure as at 31 December 2013



Equity

Shareholder's equity ended at NOK 8,026m at 31 Dec 2013. This includes net profit for the year of NOK 1,423m.

Allocation of net profit for the year

Nordea Eiendomskreditt AS reported a net profit for the year of NOK 1,423m. The Board of Directors will propose to the General Assembly that the company distribute a group contribution with taxable effect of NOK 675m to the parent company, Nordea Bank Norge ASA, and a net profit of NOK 937m for the year to the company's equity reserves. Further, the company will receive a group contribution without taxable effect of NOK 486m from the parent company. The group contributions will not affect the company's equity. The Board of Nordea Eiendomskreditt is of the view that total equity and capital adequacy following the allocation will be sound, and well in excess of the minimum requirements 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 2013, the company was party to interest rate swaps with a nominal value of NOK 74.3bn.
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 note 22 Contingent liabilities.

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 has been prepared based on this assumption.

Rating

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

Risk, liquidity and capital management

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 ingrained 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. This section describes how risk, liquidity and capital management is handled in the Nordea Group. Nordea Eiendomskreditt is wholly integrated in the Nordea Group's risk and capital management in its applicable parts.

Management principles and control

The Group Board 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 Group Board, which also decides on policies for credit risk, counterparty credit risk, liquidity risk and operational risk management as well as the ICAAP. All policies are reviewed at least annually.

Roles and allocation of responsibility within the Nordea Group

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

The CEO and Group Executive Management (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 balance sheet risks as well as capital management, either for decision by the CEO in GEM, or for recommendation by the CEO in GEM and for decision by the Group Board.
- 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. Group Corporate Centre, headed by the CFO, is responsible for the capital policy, the composition of the capital base, the capital adequacy framework 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.

Disclosure requirements of the CRD – Capital and risk management report 2013

Additional and more detailed information on risk and capital management is presented in the Capital and Risk Management Report 2013, in accordance with the national capital adequacy legislation which is based on EU, commonly referred to as the Capital Requirements Directive (the CRD), which in turn is based on the Basel II framework issued by the Basel Committee on Banking Supervision. The report is available at www.nordea.com.

Risk management - Credit risk management

Group Risk Management in Nordea is responsible for the credit process framework and the credit risk management framework, consisting of policies, instructions and guidelines for the Nordea group. Group Risk Management is responsible for controlling and monitoring the quality of the credit portfolio and the credit process.

Credit risk definition and identification

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. The size of the provision is equal to the estimated loss being the difference between the book value and the discounted value of the future cash flow, including the value of pledged collateral. Impaired exposures can be either performing or non-performing.

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. 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.
Further information on credit risk is presented in Note 23 Credit risk disclosures to the financial statements.

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 total lending to the public increased by 2.4% to NOK 116.5bn during 2013 (NOK 113.8bn). The portfolio includes residential mortgage loans as well as loans to holiday houses, secured by properties in Norway. Including off-balance sheet exposures the total credit risk exposure at year end was NOK 128.8bn (NOK 124.2bn).

Lending to credit institutions amounted to NOK 73.9m at the end of the year (NOK 83.5m), all of which was placed in the parent bank as cash accounts, payable on demand. Nordea Eiendomskreditt 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 24 Scoring distribution of the lending portfolio.

Impaired loans
Impaired loans gross in Nordea Eiendomskreditt increased during the year from NOK 43.1m in 2012 to NOK 49.2m in 2013, corresponding to 4.2 basis points of total loans. 8% (8%) of impaired loans gross are performing loans and 92% (92%) are non-performing loans. Impaired loans net, after allowances for individually assessed impaired loans amounted to NOK 27.1m (NOK 21.5m), corresponding to 2 basis points of total loans. Allowances for individually assessed loans increased from NOK 21.6m to NOK 22.0m.

Allowances for collectively assessed loans increased from NOK 11.8m to NOK 17.5m.

The volume of past due loans to household customers increased to NOK 2,050m (NOK 1,639m) in 2013.
Nordea Eiendomskreditt has not taken over any properties for protection of claims due to default.
Loan losses amounted to NOK 9.9m in 2013 (net income of NOK 8.0m in 2012). This corresponds to a loan loss ratio of 1 basis point.

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 2,117m (NOK 628m).

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.

At the close of 2013, Nordea Eiendomskreditt's interest rate sensitivity was approximately NOK 38m calculated in relation to a parallel shift in the yield curve of 1 percentage point. This implies that Nordea Eiendomskreditt AS would gain NOK 38m 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 2012 was NOK 58m.

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 metric was introduced. In

Cash flow analysis

NOKm	On demand	0-3 months	3-12 months	1-5 years	>5 years	**Total**
Interest bearing financial assets	74	1,208	3,742	44,905	113,041	**162,970**
Non interest bearing assets					2,816	**2,816**
Total assets	**74**	**1,208**	**3,742**	**44,905**	**115,857**	**165,786**
Interest bearing financial liabilities	-	20,856	15,161	66,868	15,106	**117,991**
Non interest bearing liabilities and equity					10,281	**10,281**
Total liabilities and equity	**-**	**20,856**	**15,161**	**66,868**	**25,387**	**128,272**
Derivatives, cash inflow		224	13,262	9,283	1,371	**24,140**
Derivatives, cash outflow		395	11,997	7,888	653	**20,934**
Net exposure	**-**	**-171**	**1,265**	**1,394**	**717**	**3,206**
Exposure	**74**	**-19,819**	**-10,154**	**-20,568**	**91,188**	**40,720**
Cumulative exposure	**74**	**-19,745**	**-29,899**	**-50,468**	**40,720**	

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 12,089m, which could be drawn on at any time.

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 (NBSF), 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. For additional information on maturity analysis, see Note 20 Maturity analysis for assets and liabilities.

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 (Pillar I)

Risk-weighted assets (RWA) are calculated in accordance with requirements in the Capital Requirements Directive (CRD). Nordea Eiendomskreditt had 98% of the exposure covered by internal rating based (IRB) approaches by the end of 2013. 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 risks defined by CRD and risks internally defined under Pillar II. The following major risk types are included in the internal capital requirement: 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. However, 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.

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. Economic Capital (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). Profit may only be included after deducting the proposed dividend. Goodwill and deferred tax assets are deducted from tier 1. IRB shortfall is deducted equally from tier 1 and tier 2.

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 credit institutions.

Summary of items included in the capital base

NOKm	31 Dec 2013	31 Dec 2012
Calculation of total capital base		
Equity	8,060	6,637
Proposed/actual dividend	0	
IRB-provisions excess(+)/shortfall(–)	–28	–42
Tier 1 capital (net after deduction)	**8,032**	**6,595**
– of which hybrid capital		
Tier 2 capital	**780**	**780**
– of which subordinated loans	780	780
IRB-provisions excess(+)/shortfall(–)	–28	–42
Total capital base	**8,785**	**7,333**

Capital adequacy

The net capital base of Nordea Eiendomskreditt AS amounted to NOK 8,785m at the end of 2013, calculated in accordance with Basel II. NOK 780 million hereof is subordinated loan.

The Tier 1 capital ratio at the close of 2013 including the transition rules was 15.1% (13.1%), and the total capital ratio including the transition rules was 16.5% (14.6%). The total capital ratio requirement including transition rules is 12.5%, comprising of a minimum total capital ratio of 8.0% and capital buffers of 4.5%.

Further information – Note 15 Capital adequacy and the Capital and Risk Management (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.

New regulations

The final version of the Capital Requirement Directive IV (CRD IV) and Capital Requirement Regulation (CRR) for the European financial market was published in June 2013. In Norway the implementation time table is not decided yet since the CRD IV/CRR has not been agreed within the EEA agreement yet. In addition to CRD IV/CRR, there are several closely related proposals emerging.

CRD IV and CRR
The CRD IV/CRR is intended to set a single rule book for all financial institutions in all EU Member States in order to avoid divergent national rules. The CRD IV/CRR includes several key initiatives, which change the current requirements that have been in effect since 2007. The regulation requires higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of liquidity standards.

The CRD IV/CRR requires financial institutions to comply with the following minimum capital ratios.
- Common equity tier 1 (CET1) capital ratio of 4.5%
- Tier 1 capital ratio of 6%
- Total capital ratio of 8%

The CRD IV also introduces a number of capital buffers. All buffers are to be expressed in relation to RWA and to be covered by CET1 and represent additional capital to be held on top of the minimum regulatory requirements. Several countries are also discussing the introduction of higher risk weights or other restrictions on mortgage lending. The CRD IV/CRR also introduces a non-risk-based measure, the leverage ratio, in order to limit an excessive build-up of leverage on financial institutions' balance sheets, thus helping to contain the cyclicality of lending.

CRD IV/CRR introduces two new quantitative liquidity standards; liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR requires that financial institutions hold liquidity buffers which are adequate to face any possible imbalance between liquidity inflows and outflows under gravely stressed conditions over a period of 30 days. NSFR requires that financial institutions shall ensure that long term obligations are adequately met with a diversity of stable funding instruments under both normal and stressed conditions. LCR is expected to be phased in from January 2015 while NSFR might be introduced as a minimum standard by January 2018, but local requirements might give earlier implementation.

Within CRR there are a number of national options that can be implemented into national legislation/regulation should the national authorities choose to do so. Even though Norway is not a member of the EU and the current rules still apply, new levels of capital requirement were decided already in June 2013 to be applicable from 1 July 2013. According to these new rules, financial institutions shall have a CET1 capital ratio of at least 4.5 %. In addition, institutions must have a capital conservation buffer of at least 2.5 % CET1 and a systemic risk buffer of 2 % CET1. The systemic risk buffer will be raised from 2 % to 3 % from 1 July 2014. In addition to the specific capital requirements, a new regulation was introduced in October 2013, giving the authorisation to determine a countercyclical buffer. The countercyclical buffer will range between 0 and 2.5 % CET1 and the Ministry of Finance shall each quarter make a decision on the level of the countercyclical buffer based on advice from the Norwegian Central Bank. On 12 December 2013 the Ministry of Finance decided to set the buffer rate to 1% to be applicable from 30 June 2015. In October 2013 the Ministry of Finance also adopted a new regulation regarding the risk weights for residential mortgage for IRB banks. The regulation increases the LGD floor from the current 10 % to 20 %.

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 Risk Self 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 and 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 control process 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 regard 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 2013 KPMG was reelected as auditor for the time period up to end of the Annual General Meeting 2014. State Authorized Public Accountant Anfinn Fardal is the auditor-in-charge for Nordea Eiendomskreditt AS.

Articles of association regulating the Board of Directors

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 2013.

Personnel and working environment

At the end of 2013 Nordea Eiendomskreditt AS had 2 (2) employees. Staffing was equivalent to 1.6 (1.6) 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 two women and three 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 2013 amounted to 1.92% (8.38%). A total of 7 (31) working days were lost to sickness in 2013. No accidents or injuries were incurred by employees while at work during the preceding year. Information on remuneration and loans to the company's employees and officers can be found at Note 4 Staff costs.

Environmental concerns

Nordea Eiendomskreditt AS's direct impact on the external environment is limited to its use of materials and energy, and the production of services necessary for the company's business activities. In the NBN Group, there is strong focus on general reduction of costs which supports a reduced use of resources and energy.

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.

Corporate Social Responsibility

In accordance with Nordea Group's Corporate Social Responsibility (CSR), Nordea Eiendomskreditt is committed to sustainable development by combining financial activity with responsibility for the society.

During 2012, Nordea set up dedicated Anti Money Laundering teams in all markets where we operate. Each team has an Executive Manager with overall responsibility for country based risks associated with money laundering and terrorist financing. Nordea's Group Compliance function coordinates and monitors the work of the country based teams.

For more information about Nordea's CSR work, see the Annual Report of Nordea Bank Norge ASA, the Annual Report of Nordea Bank AB (publ) and Nordea's CSR Report available at www.nordea.com/csr.

Outlook for 2014

Despite macroeconomic challenges, Nordea Eiendomskreditt achieved increased income, a stronger capital position and an improved profit in 2013.

Although activity has picked up somewhat during 2013, growth is still subdued and Nordea Eiendomskreditt foresees a prolonged period of a low-growth environment with lower than normal interest rates. The housing market turned negative in the summer 2013 and a weak development in housing prices is expected also in 2014.

Nordea Eiendomskreditt AS
Oslo, 5 February 2014

Jon Brenden Chairman of the Board	Børre Gundersen Member of the Board	Ola Littorin 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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Notes to the financial statements

Income Statement

NOK 1000	Note	2013	2012
Interest and related income on loans and deposits with financial institutions	21	8,823	7,524
Interest and related income on loans to customers		4,576,694	3,989,908
Other interest and related income		3,196	191
Total interest and related income		**4,588,713**	**3,997,624**
Interest and related expense on liabilities to financial institutions	21	442,574	475,708
Interest and related expense on securities issued	21	2,106,666	2,092,810
Interest and related expense on subordinated loan capital		42,828	48,031
Other interest and related expense		-62,537	140,568
Total interest and related expense		**2,529,532**	**2,757,117**
Net interest income		**2,059,181**	**1,240,507**
Fee and commission income		54,284	53,787
Fee and commission expense	21	4,013	3,263
Net fee and commission income		**50,272**	**50,524**
Net result from items at fair value	3, 21	**23,847**	**-13,998**
Other operating income		**0**	**0**
Total operating income		**2,133,299**	**1,277,034**
Staff costs [1]	4, 12	2,166	2,285
Other expenses	5, 21	152,617	145,799
Total operating expenses		**154,783**	**148,084**
Profit before loan losses		**1,978,517**	**1,128,949**
Loan losses (negative figures are reversals)	6	9,945	-8,021
Operating profit		**1,968,571**	**1,136,970**
Income tax expense [1]	7	545,132	321,284
Net profit for the year		**1,423,439**	**815,686**
Allocated to:			
Shareholders of Nordea Eiendomskreditt AS		1,423,439	815,686
Total allocation		**1,423,439**	**815,686**
Earnings per share. NOK		53.18	31.17

[1] Figures for 2012 have been restated, see note 1 Accounting policies for further details.

Statement of comprehensive income

NOK 1000	2013	2012
Net profit for the year	**1,423,439**	**815,686**
Cash Flow hedges:		
Valuation gains/losses taken to equity	-45,874	0
Tax on valuation gains/losses during the period	12,386	0
Defined benefit plans:		
Remeasurement of defined benefit plans [1]	912	578
Tax on remeasurement of defined benefit plans [1]	-240	-162
Other comprehensive income. net of tax	**-32,816**	**416**
Total comprehensive income	**1,390,623**	**816,102**
Allocated to:		
Shareholders of Nordea Eiendomskreditt AS	1,390,623	816,102
Total allocation	**1,390,623**	**816,102**

[1] Figures for 2012 have been restated, see Note 1 Accounting policies for further details.

Nordea Eiendomskreditt AS
Oslo, 5 February 2014

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

Balance sheet

NOK 1000	Note	31 Dec 2013	31 Dec 2012
Assets			
Loans to credit institutions	13, 21	73,918	83,468
Loans to the public	6, 8	116,502,158	113,772,333
Derivatives	9, 18, 21	2,519,727	1,232,911
Fair value changes of the hedged items in portfolio hedge of interest rate risk	10	87,976	353,186
Other assets		819	659
Accrued income and prepaid expenses		207,423	189,151
Total assets		**119,392,021**	**115,631,707**
Liabilities			
Deposits by credit institutions	11, 21	20,501,450	21,900,670
Debt securities in issue	11, 13, 21	87,829,874	83,792,777
Derivatives	9, 18, 21	402,230	604,898
Fair value changes of the hedged items in portfolio hedge of interest rate risk	10	805,131	1,121,077
Deferred tax liabilities [1]	7	70,849	61,750
Current tax liabilities	7	526,881	290,104
Other liabilities		576	1,860
Accrued expenses and prepaid income	21	446,845	439,777
Provisions		0	280
Retirement benefit obligations [1]	12	1,702	2,639
Subordinated loan capital	11	780,000	780,000
Total liabilities		**111,365,539**	**108,995,832**
Equity			
Share capital	21	1,686,990	1,686,990
Share premium reserve		1,446,637	1,446,637
Other reserves [1]		–32,400	416
Retained earnings [1]		4,925,255	3,501,832
Total equity		**8,026,482**	**6,635,875**
Total liabilities and equity		**119,392,021**	**115,631,707**
Note 16, 17, 19, 20			
Assets pledged as security for own liabilities	13	107,742,237	106,657,701
Contingent liabilities	14, 22	2,255	3,098
Commitments	14	12,088,718	10,175,614

[1] Figures for 2012 have been restated, see Note 1 Accounting policies for further details.

Statement of changes in equity

NOK 1000	Share capital [1)]	Share premium reserve	Other reserves: Cash flow hedges	Other reserves: Defined benefit plans	Retained earnings	Total equity
Opening balance at 1 Jan 2013	**1,686,990**	**1,446,637**	**0**	**416**	**3,501,832**	**6,635,875**
Total comprehensive income			−33,488	672	1,423,423	1,390,607
Closing balance at 31 Dec 2013	**1,686,990**	**1,446,637**	**−33,488**	**1,088**	**4,925,255**	**8,026,482**

NOK 1000	Share capital [1)]	Share premium reserve	Other reserves: Cash flow hedges	Other reserves: Defined benefit plans	Retained earnings	Total equity
Reported opening balance at 1 Jan 2012	**1,533,627**	**0**	**0**	**0**	**2,687,307**	**4,220,934**
Restatement due to changed accounting policy [2]					−1,161	−1,161
Restated opening balance at 1 Jan 2012	**1,533,627**	**0**	**0**	**0**	**2,686,146**	**4,219,773**
Total comprehensive income [2]				416	815,686	816,102
Increase of share capital	153,363	1,446,637				1,600,000
Closing balance at 31 Dec 2012	**1,686,990**	**1,446,637**	**0**	**416**	**3,501,832**	**6,635,875**

[1] The company's share capital at 31 December 2013 was NOK 1,686,989,590,–. The number of shares was 15,336,269, each with a quota value of NOK 110,–. All shares are owned by Nordea Bank Norge ASA.

[2] Related to amended IAS 19, see note 1 Accounting policies for more information

Cash flow statement

NOK 1000	2013	2012
Operating activities		
Operating profit before tax	1,968,571	1,136,909
Income taxes paid	-287,125	-122,100
Adjustments for items not included in cash flow	-61	0
Change in write-downs to provide for loan losses	6,133	-10,831
Cash flow from operating activities before changes in op. assets and liab.	**1,687,519**	**1,003,978**
Changes in operating assets and liabilities		
Change in loans to the public	-2,735,960	-25,224,046
Change in debt securities in issue	4,037,097	14,826,201
Change in deposits by credit institutions	-1,399,220	6,650,670
Change in other receivables	-1,040,038	515,900
Change in other liabilities	-558,949	557,172
Cash flow from operating activities	**-9,550**	**-1,670,125**
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	0
Increase in share capital and premium reserve	0	1,600,000
Cash flow from financing activities	**0**	**1,600,000**
Cash flow for the year	**-9,550**	**-70,125**
Cash and cash equivalents at 1 January	83,468	153,593
Cash and cash equivalents at 31 December	73,918	83,468
Change	**-9,550**	**-70,125**

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 financial statements 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), 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 5th February 2014 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 5th March 2014.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2012 Annual Report, except for the change to the basis for recognising actuarial gains/losses on defined benefit pension plans. The change is further described below.

The new standard IFRS 13 "Fair Value Measurement" was implemented 1 January 2013 but has not had any significant impact on the measurement of assets and liabilities in Nordea Eiendomskreditt. 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. The additional disclosures required by IFRS 13 are presented in Note 17 Assets and liabilities at fair value.

IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial Instruments: Disclosures" have been amended as regards offsetting of financial assets and financial liabilities. Nordea Eiendomskreditt implemented these changes in 2013 (IAS 32 early adopted). The amendments intend to clarify the criteria for offsetting and to add disclosures. Nordea's principles for offsetting are already in accordance with the clarified requirements and therefore there was no impact from the amendments in IAS 32. The additional disclosures required by IFRS 7 are presented in Note 18 Financial instruments set off on balance or subject to netting agreements.

In 2013 the IASB published a narrow scope amendment to IAS 39 "Financial Instruments: Recognition and Measurement". Nordea implemented these changes in 2013 (early adopted). The amendment allows hedge accounting to be continued if a derivative designated as a hedging instrument is replaced with a new hedging instrument, where a clearing party replaces the original counterparty, as a consequence of laws or regulations. The amendment has not had any significant impact on the financial statements in Nordea Eiendomskreditt.

IAS 19 "Employee Benefits"

The amended IAS 19 "Employee Benefits" was implemented 1 January 2013.

The amended standard has had an impact on the financial statements mainly related to defined benefit pension plans. The amended IAS 19 states that actuarial gains/losses shall be recognised immediately in equity through other comprehensive income, which leads to higher volatility in equity compared to the earlier so called "corridor approach". Consequently no actuarial gains/losses are recognised in the income statement, compared with the earlier rules where actuarial gains/losses outside the corridor were amortised through the income statement.

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

The comparative figures have been restated accordingly and are disclosed in the below tables.

	Q4 2012		Full year 2012	
NOKt	New policy	Old policy	New policy	Old policy
Staff costs	554	569	2 285	2 346
Income tax expence	101 059	101 059	321 284	321 267
Other comprehensive income, net of tax	416	–	416	–

	31 Dec 2012		1 Jan 2012	
NOKt	New policy	Old policy	New policy	Old policy
Net retirement benefit obligastions	2 639	1 667	3 747	2 135
Net deferred tax liabilities	61 750	62 022	34 243	33 792
Other comprehensive income, net of tax	416	–	–	–
Retained earnings	3 501 832	3 502 949	2 686 146	2 687 307

At transition 1 January 2013 the negative impact on equity was NOK 700t, after deduction of income tax and the core tier 1 capital was reduced by NOK 972t, including the impact from changes in deferred tax.

The amended IAS 19 also requires additional disclosures which are presented in Note 12 Retirement benefit obligations, where also more information on the different defined benefit pension plans can be found.

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 the classification and measurement of financial assets and liabilities. The effective date has been postponed from the earlier communicated date 1 January 2015, without any new effective date communicated. Earlier application is permitted. The EU commission has not endorsed this standard and is not expected to do so until all phases of IFRS 9 have been finalised. IFRS 9 "Financial Instruments" (Phase I) is not expected to have a significant impact on Nordea Eiendomskreditt's income statement and balance sheet as the mixed measurement model will be maintained. Significant reclassifications between fair value and amortised cost or impact on the capital adequacy and large exposures are not expected, but this is naturally dependent on the financial instruments on Nordea Eiendomskreditt's balance sheet at transition and the outcome of the final standard. It is 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 9 "Financial Instruments" (Phase 3)

The IASB have during 2013 amended IFRS9 "Financial instruments" and added new requirements for general hedge accounting, so called one-to-one hedges (Phase 3).

The main change is that the standard aligns hedge accounting more closely with the risk management activities. As Nordea generally only uses macro (portfolio) hedge accounting Nordea´s assessment is that the new requirements will not have any significant impact on Nordea´s financial statement, capital adequacy or large exposures.

Annual Improvements to IFRSs

The IASB has published minor amendments to IFRSs by issuing "Annual Improvements to IFRSs, 2010-2012 Cycle" and "Annual Improvements to IFRSs, 2011-2013 Cycle". Most of the amendments are effective for annual periods beginning on or after 1 July 2014, but earlier application is permitted. The EU commission is expected to endorse these amendments during the third quarter 2014. Nordea´s assessment is that the new requirements will not have any significant impact on Nordea Eiendomskreditt´s financial statements, capital adequacy or large exposures.

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 a description is made of:

- the sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year and
- the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant effect on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:
- fair value measurement of certain financial instruments (hedging portfolio)
- impairment testing of loans to the public
- effectiveness testing of cash flow hedges
- 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. Nordea monitors its portfolio 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 high 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.

Effectiveness testing of cash flow hedges
Nordea's accounting policies for cash flow hedges are described in section 8 "Hedge accounting".
One important judgement in connection to cash flow hedge accounting is the choice of method used for effectiveness testing.

Where Nordea applies cash flow hedge accounting the hedging instruments used are cross currency interest rate swaps and interest rate swaps which are always held at fair value. The currency component in cross currency interest rate swaps is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. The hypothetical derivative method is used when measuring the effectiveness of these cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows on the hedged transaction (the currency component). Critical judgement has to be exercised when defining the characteristics of the perfect hypothetical swap. Changes in the fair value of hedging instruments due to changes in the valuation of non-standard tenors are accounted for in a similar manner.

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.

Valuation of deferred tax assets
The valuation of deferred tax assets is influenced by management's assessment of Nordea Eiendomskreditt's future profitability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. These assessments are 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 Income tax expense.

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 include 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 31.12.2013 the exchange rate was 6.0641.

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 individual and portfolios of assets and liabilities.

Hedging instruments

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

Cash flow hedge accounting

Cash flow hedge accounting can be used for the hedging of exposure to variations in future interest payments on instruments with variable interest rates and for the hedging of currency exposures. The portion of the gain or loss on the hedging instrument, that is determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item Net result from items at fair value in the income statement.
Gains or losses on hedging instruments recognised in the cash flow hedge reserve in equity through other comprehensive income are recycled and recognised in the income statement in the same period as the hedged item affects profit or loss, normally in the period that interest income or interest expense is recognised.

Hedged items

A hedged item in a cash flow hedge can be highly probable floating interest rate cash flows from recognised assets or liabilities or from future assets or liabilities. Nordea uses cash flow hedges when hedging currency risk in future payments of interest and principal in foreign currency.

Hedging instruments

The hedging instruments used in Nordea are cross currency interest rate swaps and interest rate swaps, which are always held at fair value. The currency component in cross currency interest rate swaps is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk.

Hedge effectiveness

The 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.

In cash flow hedges, changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve in equity through other comprehensive income from the period when the hedge was effective is reclassified from equity to Net result from items at fair value in the income statement if the expected transaction no longer is expected to occur. If the expected transaction no longer is highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

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 price that at the measurement date would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure 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.

If markets are 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/credit institutions.

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.

Offsetting of financial assets and liabilities
Nordea offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of bankruptcy, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously. This is generally achieved through the central counterparty clearing houses that Nordea has agreements with.

11. Loans to the public/credit institutions

Financial instruments classified as Loans to the public/credit institutions 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 benefits payable after the termination of the employment. Post-employment benefits in the company consist only of pensions.

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

Post-employment benefits
Pension plans
The company's liabilities in respect of its retirement benefit obligations to its employees are mainly funded schemes covered by assets in pension funds. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit obligation, the net amount is recognised as a liability (defined benefit obligation). If not, the net amount is recognised as an asset (defined benefit asset). Non-funded pension plans are recognised as defined benefit obligations.

Pension costs

Actuarial calculations 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 recognised immediately in equity through other comprehensive income.
Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by the plan and is included in the Retirement benefit obligation or in the Retirement benefit asset.

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

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 21 Related-party transactions.

15. Exchange rates

USD 1 = NOK	2013	2012
Income statement (average)	5,8802	5,8186
Balance sheet (at end of period)	6,0641	5,5694

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	2013	2012
Shares	0	0
Interest-bearing securities	-11,805	-1,585
Other financial instruments	35,652	-12,413
Foreign exchange gains/losses	0	0
Total	**23,847**	**-13,998**

Net gains/losses for categories of financial instruments

NOK 1000	2013	2012
Foreign currency derivatives	0	0
Financial instruments held for trading	0	0
Financial instruments under hedge accounting	35,652	-12,413
- of which net losses on hedged items	98,372	-571,016
- of which net gains on hedging instruments	-62,721	558,603
Other financial liabilities	-11,805	-1,585
Total	**23,847**	**-13,998**

Note 4:
Staff costs

NOK 1000	2013	2012
Salary and remuneration	1,750	1,739
Pension costs (note 12) [1]	51	245
Social security contribution	263	251
Allocation to profit-sharing	27	20
Other staff costs	75	30
Total	**2,166**	**2,285**

Number of employees at 31 Dec	2	2
Number of full time equivalents at 31 Dec	1.6	1.6
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	1,886	757
- of which ordinary audit fee	694	757
- of which other services	1,192	0

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	978	107	14	125	1,224
Total for the executive management	**978**	**107**	**14**	**125**	**1,224**
Board of Directors of Nordea Eiendomskreditt AS					
Eva I. E. Jarbekk	70				70
Monica Blix	70				70
Total for the directors of Nordea Eiendomskreditt AS	**140**	**-**	**-**	**-**	**140**

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 2013 for services provided in 2012.

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	**1,358**	**107**	**14**	**125**	**1,604**

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.

[1] Figures for 2012 have been restated, see note 1 Accounting policies for further details.

Note 5:
Administration expenses and other expenses

NOK 1000	**2013**	**2012**
Services bought from Group companies	146,886	142,540
– hereof related to administration of the lending portfolio	138,636	134,785
– hereof related to treasury services	6,915	6,931
– hereof related to accounting and reporting services	1,260	800
– hereof other costs	75	24
Consulting	3,630	1,872
Auditors' fee	694	757
Other operating expenses	1,407	631
Total	**152,617**	**145,799**

Note 6:
Loan losses

NOK 1000	**2013**	**2012**
Specification of changes in loan losses		
Change in allowances for individually assessed loans	390	10,370
Change in allowances for collectively assessed loans	5,744	–21,200
Realised loan losses in the period	3,812	2,815
Recoveries of loan losses realised previous years	–1	–5
Total loan losses for the year	**9,945**	**–8,021**
Specification of allowances for individually assessed loans [1]		
Opening balance at 1 January	21,634	11,264
Increased and new allowances this year	8,049	14,026
Allowances used to cover write-offs	–2,819	–227
Reversals of allowances made in previous years	–4,840	–3,429
Closing balance at 31 December	**22,023**	**21,634**

[1] Included in Note 8 Loans and impairment.

Key ratios	**2013**	**2012**
Loan loss ratio [2]	0.01%	–0.01%
– of which individual	0.00%	0.01%
– of which collective	0.00%	–0.02%

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

Note 7:

Income tax expense

Income tax expense for the year

NOK 1000	2013	2012
Current tax [1, 2]	523,903	293,055
Deferred tax	21,230	28,230
Total	**545,132**	**321,284**
[1] of which relating to prior years	-2,979	2,934

Current and deferred tax recognised in Other comprehensive income		
Deferred tax relating to changed accounting policies	-240	-162
Deferred tax relating to cash flow hedges	12,386	0
Total	**12,146**	**-162**

Calculation of income tax expense

NOK 1000	2013	2012
Profit before tax[2]	1,968,571	1,136,970
Tax calculated at a tax rate of 28%[2]	551,200	318,352
Non-deductable expenses	0	24
Tax exempt income	-6	-26
Change of tax rate [1]	-3,083	0
Adjustments related to prior years	-2,979	2,934
Total tax charge	**545,132**	**321,284**

[1] Due to change of corporate tax rate from 28% to 27%

Average effective tax rate	27.7 %	28.3 %

Deferred tax

NOK 1000	2013	2012
Deferred tax expense (-) / income (+)		
Deferred tax due to temporary differences	-21,230	-28,230
Tax expense, net	**-21,230**	**-28,230**

NOK 1000	2013	2012
Deferred tax assets, net		
Deferred tax assets due to tax losses	0	0
Deferred tax recognised in Other comprehensive income:		
- Deferred tax relating to changed accounting policies	16	272
- Deferred tax relating to cash flow hedges	12,386	0
Deferred tax assets due to temporary differences:		
- Retirement benefit obligations	459	545
- Financial instruments [1]	-82,898	-61,514
- Other	-812	-1,053
Deferred tax assets (+) / deferred tax liabilities (-), net	**-70,849**	**-61,750**

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 70,849 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 31.12.2013.

[2] Figures for 2012 have been restated, see note 1 Accounting policies for further details.

Note 8:
Loans and impairment

NOK 1000	31 Dec 2013	31 Dec 2012
Loans and receivables, not impaired	116,492,569	113,762,631
Impaired loans and receivables;	49,157	43,135
- Performing	3,795	3,630
- Non-performing	45,362	39,505
Loans and receivables before allowances	**116,541,726**	**113,805,766**
Allowances for individually assessed impaired loans;	-22,023	-21,634
- Performing	-1,494	-1,151
- Non-performing	-20,529	-20,482
Allowances for collectively assessed impaired loans	-17,544	-11,800
Allowances	**-39,567**	**-33,434**
Loans and receivables, book value	**116,502,158**	**113,772,333**

Reconciliation of allowance accounts for impaired loans[1]

NOK 1000	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2013	**21,634**	**11,800**	**33,434**
Provisions	8,049	9,544	17,593
Reversals	-4,840	-3,800	-8,640
Changes through the income statement	**3,209**	**5,744**	**8,953**
Allowances used to cover write-offs	-2,819	0	-2,819
Closing balance at 31 Dec 2013	**22,023**	**17,544**	**39,567**

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**

[1] See Note 6 Loan losses

Key ratios

	31 Dec 2013	31 Dec 2012
Impairment rate, gross[2], in %	0.04	0.04
Impairment rate, net[3], in %	0.02	0.02
Total allowance rate[4], in %	0.03	0.03
Allowance rate, impaired loans[5], in %	44.80	50.19
Total allowances in relation to impaired loans, %	80.49	77.46
Non-performing loans, not impaired[6], in NOK 1000	230,467	237,293

[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 2013

NOK 1000	Fair value Positive	Negative	Total nominal amount
Derivatives used for hedge accounting:			
Interest rate swaps	1,089,084	402,230	56,087,200
Total	**1,089,084**	**402,230**	**56,087,200**
Foreign exchange derivatives:			
Currency and interest rate swaps	1,430,644	0	18,192,300
Total	**1,430,644**	**0**	**18,192,300**
Total derivatives	**2,519,728**	**402,230**	**74,279,500**

31 Dec 2012

NOK 1000	Fair value Positive	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**

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

Assets

NOK 1000	2013	2012
Booked unrealised gain/loss at beginning of the year	353,186	425,744
Revaluation of hedged items during the year	-265,210	-72,559
Booked unrealised gain/loss at end of the year	**87,976**	**353,186**
Whereof expected maturity later than 1 year	78,852	117,110

Liabilities

NOK 1000	2013	2012
Booked unrealised gain/loss at beginning of the year	1,121,077	618,062
Revaluation of hedged items during the year	-315,946	503,015
Booked unrealised gain/loss at end of the year	**805,131**	**1,121,077**
Whereof expected maturity later than 1 year	787,432	851,028

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

NOK 1000	31 Dec 2013	31 Dec 2012
Loans and deposits from financial institutions for a fixed term	20,500,000	21,900,000
Bond loans issued in Norwegian kroner	113,650,000	108,900,000
Holdings of own bonds in Norwegian kroner	-43,876,000	-41,524,500
Bond loans issued in US dollars (in NOK)	18,192,299	16,708,276
Subordinated loan	780,000	780,000
Total nominal value	**109,246,299**	**106,763,776**
Maturity information		
Maximum 1 year	34,153,200	25,972,000
More than 1 year	75,093,099	80,791,776
Total	**109,246,299**	**106,763,776**

Note 12:
Retirement benefit obligations

NOK 1000	31 Dec 2013	31 Dec 2012
Defined benefit plans, net	1,700	2,639
Total	**1,700**	**2,639**

Nordea Eiendomskreditt sponsors both defined contribution plans (DCP) and defined benefit plans (DBP). IAS 19 secures that the pension obligations net of plan assets backing these obligations is reflected on the company's balance sheet.

Nordea Eiendomskreditt is obliged to have an occupational pension scheme pursuant to the Mandatory Occupational Pension Plan Act. Nordea Eiendomskreditt's pension schemes meet the demands required by this act. The company has funded its pension obligations through Nordea Norge Pensjonskasse (Nordea Norge Pension Fund), which is managed by Gabler AS. The company also has retirement benefit obligations in connection with supplementary pensions and early retirement pensions, which are not covered by the pension fund.

The defined benefit scheme is closed for new employees as from 2011, and pensions for new employees are instead based on defined contribution plan (DCP) arrangements. Nordea Eiendomskreditt is also member of Fellesordningen for AFP (Avtalefestet Pensjon) established with effect from 2011. DCPs are not reflected in the balance sheet, unless when earned pension rights have not been paid for.

Defined benefit plans may impact Nordea Eiendomskreditt via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumption. Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

No significant plan amendments, curtailments and settlements have been made during the year.

IAS 19 Pension calculations and assumptions

Calculations are performed by external liability calculators and are based on different actuarial assumptions.

Assumptions[1]	2013	2012
Discount rate[2]	4.0 %	4.0 %
Salary increase	3.0 %	3.0 %
Inflation	2.0 %	2.0 %
Increase in income base amount	4.0 %	4.0 %
Expected return on assets before taxes	4.0 %	4.0 %
Expected adjustments of current pensions	2.5 %	2.5 %

[1] The assumptions disclosed for 2013 have an impact on the liability calculation by year-end 2013, while the assumptions disclosed for 2012 are used for calculating the pension expense in 2013.

[2] More information on the discount rate can be found in Note 1 Accounting policies, section 13 Employee benefits. The sensitivities to changes in the discount rate can be found below.

Note 12:

Retirement benefit obligations cont.

Sensitivities – Impact on Pension Benefit Obligation (PBO) %	2013
Discount rate – Increase 50bps	−8.9%
Discount rate – Decrease 50bps	10.1%
Salary increase – Increase 50bps	11.5%
Salary increase – Decrease 50bps	−6.9%
Inflation – Increase 50bps	6.5%
Inflation – Decrease 50bps	−5.9%

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach since the actuarial assumptions usually are correlated. However, it enables the reader to isolate one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements. Compared with the 2012 Annual Report there have been no changes in the methods used when preparing the sensitivity analyses.

Net retirement benefit liabilities/assets

NOK 1000	2013	2012
Obligations	5,707	5,480
Plan assets	4,007	2,842
Net liability (−)/asset (+)	**−1,700**	**−2,639**

Changes in the obligation

NOK 1000	2013	2012
Opening balance	5,154	6,009
Current service cost	188	190
Interest cost	206	181
Pensions paid	0	0
Past service cost	0	0
Settlements	0	0
Remeasurement from changes in financial assumptions	0	0
Remeasurement from experience adjustments	−52	−1,226
Change in provision for social security contribution [1]	210	326
Closing balance	**5,707**	**5,480**

[1] Calculated on recognised amounts in the balance sheet.

The average duration of the PBO is 18 years based on discounted cash flows. The fact that all DBPs are closed for new entrants leads to a lower duration.

Changes in the fair value of plan assets

NOK 1000	2013	2012
Opening balance	2,842	2,726
Interest income (calculated using the discount rate)	118	85
Pensions paid	0	0
Settlements	0	0
Contributions by employer	300	750
Remeasurement (actual return less interest income)	748	−719
Closing balance	**4,007**	**2,842**

Asset composition

The combined return on assets in 2013 was 5.4% (3.7%), mainly driven by return on equity investments. At the end of the year, the equity exposure in the foundation represented 27% (22%) of total assets.

Asset composition in funded schemes

	2013	2012
Equity	27%	22%
Bonds	57%	61%
Real estate	13%	15%
Other assets	3%	2%

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 2013 is tnok 51 (tnok 245). The amount covers both funded and unfunded pension plans, as well as AFP provisions.

Recognised in the income statement, NOK 1000	**2013**	**2012**
Current service cost	188	190
Net interest	88	96
Past service cost and settlements	0	0
Recognised past service cost	0	0
Social Security Contribution	39	41
Pension cost on defined benefit plans	**316**	**327**

Recognised in other comprehensive income, NOK 1000	**2013**	**2012**
Remeasurement from changes in financial assumptions	0	-1364
Remeasurement from experience adjustments	-52	138
Remeasurement of plan assets (actual return less interest income)	-748	719
Social security contribution	-113	-71
Pension cost on defined benefit plans	-912	-578

The pension cost for 2014 is expected to be tnok 304.

Figures for 2012 are restated due to IAS 19 employee benefits , see Note 1 Accounting policies for further details.

Note 13:
Assets pledged as security for own liabilities

NOK 1000	**31 Dec 2013**	**31 Dec 2012**
Assets pledged as security for own liabilities:		
Loans to the public	107,742,237	106,657,701
Total	**107,742,237**	**106,657,701**
The above pledges pertain to the following liability and committment items:		
Debt securities in issue	87,829,874	83,792,777
Total	**87,829,874**	**83,792,777**

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 2013**	**31 Dec 2012**
Accepted, not disbursed loans (unutilised portion of approved overdraft facilities)	12,088,718	10,175,614
Other commitments (note 22)	2,255	3,098
Total	**12,091,816**	**10,178,712**

Note 15:
Capital adequacy

Capital base

NOKm	31 Dec 2013	31 Dec 2012
Core tier 1 capital[1]	8,032	6,595
Tier 1 capital[1]	8,032	6,595
Capital base[1]	8,785	7,333

[1]Including profit for the period

Capital requirement NOKm	31 Dec 2013 Capital requirement[1]	31 Dec 2013 RWA	31 Dec 2012 Capital requirement[1]	31 Dec 2012 RWA
Credit risk	**786**	**9,822**	**923**	**11,536**
IRB	739	9,237	885	11,069
– of which corporate	–	–	–	–
– of which institutions	–	–	–	–
– of which retail	739	9,237	885	11,069
of which retail SME	–	–	–	–
of which retail real estate	653	8,162	807	10,084
of which retail other	86	1,075	79	985
– of which other	–	–	–	–
Standardised	47	585	37	467
– of which sovereign	–	–	–	–
– of which retail	–	–	–	–
– of which other	47	585	37	467
Market risk	**–**	**–**	**–**	**–**
– of which trading book, Internal Approach	–	–	–	–
– of which trading book, Standardised Approach	–	–	–	–
– of which banking book, Standardised Approach	–	–	–	–
Operational risk	**109**	**1,364**	**72**	**906**
Standardised	109	1,364	72	906
Sub total	**895**	**11,186**	**995**	**12,442**
Adjustment for transition rules				
Additional capital requirement according to transition rules	3,354	41,924	3,020	37,745
Total	**4,249**	**53,110**	**4,015**	**50,187**

[1] 8% minimum capital requirement.

Capital ratio excl. transition rules

	31 Dec 2013	31 Dec 2012
Core tier 1 capital ratio[1], %	71.8	53.0
Tier 1 capital ratio[1], %	71.8	53.0
Capital base ratio[1], %	78.5	58.9

[1]Including profit for the period

Capital ratio incl. transition rules

	31 Dec 2013	31 Dec 2012
Core tier 1 capital ratio[1], %	15.1	13.1
Tier 1 capital ratio[1], %	15.1	13.1
Capital base ratio[1], %	16.5	14.6

[1]Including profit for the period

Note 15:
Capital adequacy cont.

Analysis of capital requirements

Exposure class, 31 Dec 2013	Average risk weight (%)	Capital requirement[1] (NOKm)
Corporate IRB	–	–
Institutions IRB	–	–
Retail IRB	8	739
Sovereign	–	–
Other	20	47
Total credit risk	**8**	**786**

[1] 8% minimum capital requirement.

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 2013

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	73,918					73,918
Loans and receivables to the public	116,502,158					116,502,158
Derivatives			2,519,727			2,519,727
Fair value changes of the hedged items in portfolio hedge of interest rate risk			87,976			87,976
Property and equipment						0
Deferred tax assets						0
Other assets					819	819
Prepaid expenses and accrued income	207,423					207,423
Total assets	**116,783,499**	**0**	**2,607,703**	**0**	**819**	**119,392,021**

	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions			20,501,450		20,501,450
Debt securities in issue			87,829,874		87,829,874
Derivatives		402,230			402,230
Fair value changes of the hedged items in portfolio hedge of interest rate risk		805,131			805,131
Current tax liabilities				526,881	526,881
Other liabilities				576	576
Accrued expenses and prepaid income				446,845	446,845
Retirement benefit obligations				1,702	1,702
Deferred tax				70,849	70,849
Subordinated liabilities			780,000		780,000
Total liabilities	**0**	**1,207,361**	**109,111,324**	**1,046,854**	**111,365,539**

Note 16:

Classification of financial instruments cont.

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					*659*	659
Prepaid expenses and accrued income	189,151					189,151
Total assets	**114,044,952**	**0**	**1,586,097**	**0**	**659**	**115,631,708**

	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 17:
Assets and liabilities at fair value

Fair value of financial assets and liabilities

NOK 1000	31 Dec 2013 Carrying amount	31 Dec 2013 Fair value	31 Dec 2012 Carrying amount	31 Dec 2012 Fair value
Financial assets				
Loans	116,664,053	116,664,053	114,208,987	114,208,987
Derivatives	2,519,727	2,519,727	1,232,911	1,232,911
Other assets	0	0	0	0
Prepaid expenses and accrued income	207,423	207,423	189,151	189,151
Total financial assets	**119,391,204**	**119,391,204**	**115,631,048**	**115,631,048**

	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Deposits and debt instruments	109,916,455	111,355,866	107,594,524	107,745,324
Derivatives	402,230	402,230	604,898	604,898
Other liabilities	0	0	0	0
Accrued expenses and prepaid income	446,845	446,845	439,777	439,777
Total financial liabilities	**110,765,531**	**112,204,942**	**108,639,199**	**108,789,999**

For information about valuation of items measured at fair value on the balance sheet, see Note 1 Accounting policies and the section "Determination of fair values for items measured at fair value on the balance sheet" below. For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet".

Assets and liabilities at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2013, NOK 1000	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet [1]				
Derivatives		2,519,727		2,519,727
Total	**0**	**2,519,727**	**0**	**2,519,727**
Liabilities at fair value on the balance sheet [1]				
Derivatives		402,230		402,230
Total	**0**	**402,230**	**0**	**402,230**

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

31 Dec 2012, NOK 1000	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet [1]				
Derivatives		1,232,911		1,232,911
Total assets	**0**	**1,232,911**	**0**	**1,232,911**
Liabilities at fair value on the balance sheet [1]				
Derivatives		604,898		604,898
Total liabilities	**0**	**604,898**	**0**	**604,898**

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

Note 17:

Assets and liabilities at fair value cont.

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

Fair value measurements of assets and liabilites carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy that reflects the observability and significance of inputs. The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. Nordea Eiendomskreditt AS has no financial assets or financial liabilities measured according to level 1.

Level 2 in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. The fair values are estimated using valuation techniques or valuation models based on market prices or rates prevailing at the balance sheet date, and any unobservable inputs have had an insignificant impact on the fair values. This is the case for derivatives in Nordea Eiendomskreditt AS.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. Nordea Eiendomskreditt AS has no financial assets or financial liabilities measured according to level 3.

All valuation models, both complex and simple models, make use of market parameters. These parameters comprise interest rates, volatilities, correlations etc. Some of these parameters are observable while others are not. For non-exotic currencies the interest rates are all observable, and the volatilities and the correlations of the interest rates and FX rates are observable up to a certain maturity. For each instrument the sensitivity towards unobservable parameters is measured. If the impact from unobservable parameters on the valuation is significant the instrument is categorised as Level 3 in the fair value hierarchy.
Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments, based on independently sourced market parameters as described above, and assuming no risks and uncertainties. This calculation is supplemented by a portfolio adjustment. The portfolio adjustment covers uncertainties associated with the valuation techniques, model assumptions and unobservable parameters as well as the portfolio's counterparty credit risk and liquidity risk. An important part of the portfolio adjustment serves to adjust the net open market risk exposures from mid-prices to ask or bid prices (depending on the net position). For different risk categories, exposures are aggregated and netted according to internal guidelines and aggregated market price information on bid-ask spreads are applied in the calculation. Spreads are updated on a regular basis.

The portfolio adjustment for uncertainties associated with model assumptions comprises two components (The calculation principles are defined as part of the internal approval process for valuation models):

- Benchmarking of the model output (market values) against market information or against results from alternative models, where available.
- Sensitivity calculations where unobservable parameters are changed to other reasonable values.

Financial assets and liabilites with offsetting positions in market risk or credit risk are measured on the basis of the price that would be received to sell the net asset exposed to that particular risk or paid to transfer the net liability exposed to that particular risk.

The valuation processes for fair value measurements in Level 3

Financial instruments

Valuation principles in Nordea are determined in and approved by the Group Valuation Committee (GVC). GVC issues guiding policies to the business units on how to establish a robust valuation process and minimise the valuation uncertainty. The GVC also serves as escalation point.

The valuation process in Nordea consists of several steps. The first step is the initial end of day (EOD) marking of mid-prices. The mid-prices are either fixed by front office or received from external sources. The second step is the control part, which is performed by independent control units. The cornerstone in the control is the independent price verification (IPV). The IPV test comprises verification of the correctness of prices and other parameters used in the net present value (NPV) calculation, the adequacy of the valuation models, including an assessment of whether to use quoted prices or valuation models, and the reliability of the assumptions and parameters used in the valuation adjustments at portfolio level covering mainly liquidity (bid/offer spread), model and credit risk adjustments.

The verification of the correctness of prices and other parameters is carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis. This quality assessment is used in the measurement of the valuation uncertainty.

The valuation adjustments at portfolio level are calculated and reported on a monthly basis. The actual assessment of instruments in the fair value hierarchy is performed on a continuous basis.

Note 17:

Assets and liabilities at fair value cont.

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

31 Dec 2013, NOK 1000	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet			
Loans	116,664,053	116,664,053	3
Other assets	0	0	3
Prepaid expenses and accrued income	207,423	207,423	3
Total assets	**116,871,476**	**116,871,476**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	109,916,455	111,355,866	3
Other liabilities	0	0	3
Accrued expenses and prepaid income	446,845	446,845	3
Total liabilities	**110,363,301**	**111,802,712**	

Loans

The fair value of "Loans to credit institutions" and "Loans to the public" has been calculated as the carrying amount adjusted for fair value changes in interest rate risk. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rates in the portfolios. No adjustment has been made for changes in fair value of credit risk. The average probability of default (PD) for loans to credit institutions has been relatively unchanged. However the average PDs for retail customers has decreased, which is an indication of that the fair value for loans to retail customers is higher than the calculated fair value. The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Other assets and prepaid expenses and accrued income

The balance sheet items "Other assets" and "Prepaid expenses and accrued income" consist of short receivables, mainly accrued interest receivables. The fair value is therefore considered to equal the carrying amount and is caterorised into Level 3 in the fair value hierarchy.

Deposits and debt instruments

The fair value of "Deposits by credit institutions", "Debt securities in issue" and "Subordinated liabilities" has been calculated as the carrying amount adjusted for fair value changes in interest rate risk and in own credit risk. The fair value is categorised into Level 3 in the fair value hierarchy. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rate in the portfolios. The fair value changes in the credit risk is calculated as the difference between the credit spread in the nominal interest rate compared with the current spread that is observed in the market. This calculation is performed on an aggregated level for all long term issuance recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities". As the contractual maturity is short for "Deposits by credit institutions" the changes in own credit risk related to these items is assumed not to be significant. This is also the case for short term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities".

Other liabilities and accrued expenses and prepaid income

The balance sheet items "Other liabilties" and "Accrued expenses and prepaid income" consist of short-term liabilities, mainly liabilities on securities settlement. The fair value is therefore considered to be equal to the carrying amount and is caterorised into Level 3 in the fair value hierarchy.

Note 18:
Financial instruments set off on balance or subject to netting agreements

31 December 2013, NOKt	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	2,519,728		2,519,728	-402,230			2,117,498
Reverse repurchase agreements			0				0
Securities borrowing agreements			0				0
Total	**2,519,728**	**0**	**2,519,728**	**-402,230**	**0**	**0**	**2,117,498**

31 December 2013, NOKt	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	402,230		402,230	-402,230			0
Repurchase agreements			0				0
Securities lending agreements			0				0
Total	**402,230**	**0**	**402,230**	**-402,230**	**0**	**0**	**0**

[1] All amounts are measured at fair value.

31 December 2012, NOKt	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	1,234,675		1,234,675	-323,855			910,819
Reverse repurchase agreements			0				0
Securities borrowing agreements			0				0
Total	**1,234,675**	**0**	**1,234,675**	**-323,855**	**0**	**0**	**910,819**

31 December 2012, NOKt	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	323,855		323,855	-323,855			0
Repurchase agreements			0				0
Securities lending agreements			0				0
Total	**323,855**	**0**	**323,855**	**-323,855**	**0**	**0**	**0**

[1] All amounts are measured at fair value.

Enforcable master netting arrangements and similar agreements

The fact that financial instruments are being accounted for on a gross basis on the balance sheet, would not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally financial instruments (derivatives, repos and securities lending transactions), would be subject to master netting agreements, and as a consequence Nordea would be allowed to benefit from netting both in the ordinary course of business and in the case of default towards its counter parties, in any calculations involving counterparty credit risk. The reason why the netted exposures are not reflected under assets and liabilities on the balance sheet, would in most instances depend on the limited application of net settlement of financial transactions.

Note 19:
Assets and liabilities in foreign currencies

	31 December 2013			31 December 2012		
NOK 1000	NOK	USD	Total	NOK	USD	Total
Assets						
Loans to credit institutions	73,918		73,918	83,468		83,468
Loans to the public	116,502,158		116,502,158	113,772,332		113,772,332
Other assets	2,442,679	373,266	2,815,945	1,387,306	388,601	1,775,907
Total assets	**119,018,754**	**373,266**	**119,392,021**	**115,243,106**	**388,601**	**115,631,707**
Liabilities and equity						
Deposits by credit institutions	20,501,450		20,501,450	21,900,670		21,900,670
Debt securities in issue	69,657,623	18,172,251	87,829,874	67,125,125	16,667,652	83,792,777
Subordinated liabilities	780,000		780,000	780,000		780,000
Other liabilities and equity	9,888,683	392,013	10,280,696	8,725,225	433,035	9,158,260
Total liabilities and equity	**100,827,756**	**18,564,264**	**119,392,021**	**98,531,020**	**17,100,687**	**115,631,707**
Position not reported in the balance sheet	**–18,192,299**	**18,192,299**	**0**	**–16,708,276**	**16,708,276**	**0**
Net position, currencies	**–1,301**	**1,301**	**0**	**3,809**	**–3,809**	**0**

Note 20:

Maturity analysis for assets and liabilities

31 Dec 2013

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	73,918						73,918
Loans to the public	211,796	54,835	181,902	1,201,836	114,851,789		116,502,158
Derivatives		0	971,286	891,344	657,098		2,519,728
Fair value changes of the hedged items in portfolio hedge of interest rate risk		2,441	6,683	58,464	20,388		87,976
Other assets		207,422				819	208,241
Total assets	**285,714**	**264,698**	**1,159,871**	**2,151,644**	**115,529,275**	**819**	**119,392,021**
Liabilities and equity							
Liabilities to financial institutions		20,500,000					20,500,000
Liabilities to the public	1,449						1,449
Debt securities in issue			13,648,326	61,157,656	13,023,893		87,829,875
Derivatives		33,973	20,880	140,350	207,027		402,230
Fair value changes of the hedged items in portfolio hedge of interest rate risk			17,698	334,772	452,660		805,130
Other liabilities		709,865	264,439		1,702	70,850	1,046,855
Subordinated liabilities					780,000		780,000
Equity						8,026,482	8,026,482
Total liabilities and equity	**1,449**	**21,243,838**	**13,951,343**	**61,632,778**	**14,465,282**	**8,097,332**	**119,392,021**
Net total on all items	**284,265**	**-20,979,140**	**-12,791,472**	**-59,481,134**	**101,063,993**	**-8,096,513**	**-0**

The section Liquidity risk in the Board of Director's Report describes the management of the liquidity risk in more detail.

31 Dec 2013

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 Board of Director's Report describes the management of the liquidity risk in more detail.

Note 21:

Related-party transactions

NOK 1000	2013			2012		
	Nordea Bank Norge ASA	Nordea Bank AB	Nordea Bank Finland Plc.	Nordea Bank Norge ASA	Nordea Bank AB	Nordea Bank Finland Plc.
Profit and loss account						
Interest income on loans with financial institutions	8,395			7,524		
Net gains/losses on items at fair value				563,349		
Total income	8,395	–	–	570,873	–	–
Interest expenses on liabilities to financial institutions	442,301			475,708		
Interest and related expense on securities issued incl. hedging	308,182			595,806		
Net gains/losses on items at fair value	62,785					
Interest and related expense on subordinated loan capital	42,828			48,031		
Commission and fee expense for banking services	2,000			86		
Other operating expenses	147,310	1,955		141,620	920	
Total expenses	1,005,406	1,955	–	1,261,251	920	–
Group contribution	–			–		
Balance sheet						
Loans and receivables to credit institutions	73,918			83,468		
Derivatives	2,519,727			1,232,911		
Total assets	2,593,645	–	–	1,316,379	–	–
Deposits by credit institutions	20,500,000			21,900,000		
Issued bonds	20,000,000		406,500	20,000,000		
Derivatives	402,230			323,870		
Accrued expenses and prepaid income	5,791			6,345		
Subordinated loan capital	780,000			780,000		
Share capital	3,133,627			3,133,627		
Total libilities and equity	44,821,648	–	406,500	46,143,842	–	–
Off balance sheet items						
Interest rate swaps (nominal value)	74,279,499			92,672,127		

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 22:
Contingent liabilities and commitments

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 2013 amounted to NOK 2.3m. Nordea Eiendomskreditt's share of the portfolio amounted to NOK 0.0m.

Note 23:
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) 2013, 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 2013	31 Dec 2012
Loans to credit institutions	74	83
Loans to the public incl accrued interest	116,710	113,961
– of which household	116,710	113,961
Total loans and receivables	**116,783**	**114,045**
Off balance credit exposure		
– hereof landing to the public	12,089	10,176
– hereof derivatives	2,117	628
Off balance credit exposure	**14,206**	**10,804**
Total credit exposure	**130,990**	**124,849**

Past due loans

NOKm	31 Dec 2013	31 Dec 2012
6–30 days	1,677	1,289
31–60 days	262	254
61–90 days	74	81
>90 days	37	15
Total	**2,050**	**1,639**

Note 24:

Scoring distribution of the lending portfolio

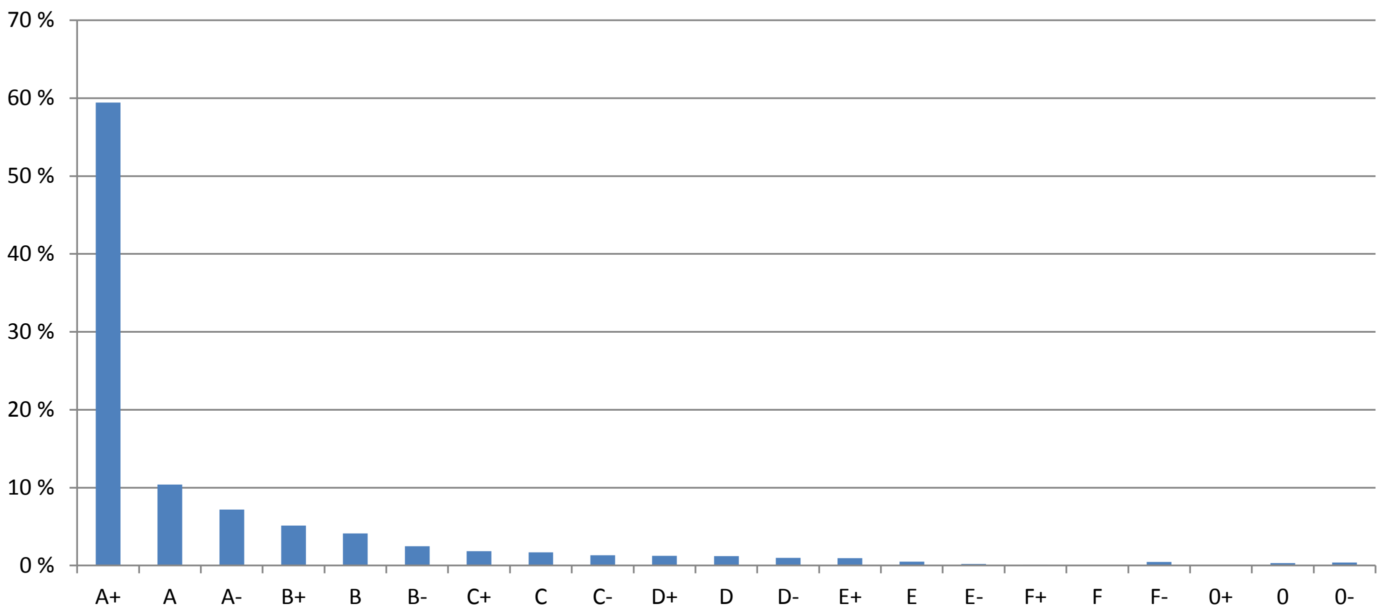
Scoring models are pure statistical methods to predict the probability of customer default. The models are used in the household segment as well as for small corporate customers. Bespoke behavioural scoring models, developed on internal data, are used to support the credit approval process in Nordea 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

31 Dec 2013



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To the Annual Shareholders meeting in Nordea Eiendomskreditt AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Nordea Eiendomskreditt AS, which comprise the balance sheet, the income statement and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended as at 31 December 2013, 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 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.

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 as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Accounting Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures, we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 5 February 2014
KPMG AS

Anfinn Fardal
State Authorized Public Accountant (Norway)

[Translation has been made for information purposes only]

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

The Board of Directors and the Managing Director have today considered and approved the annual report and accounts of Nordea Eiendomskreditt AS for 2013, including comparative figures for 2012 (the "2013 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 2013 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 2013 and as at 31 December 2012.

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, 5 February 2014

Jon Brenden
Chairman of the Board

Børre Gundersen
Member of the Board

Ola Littorin
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 2013

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

During 2013 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 2013 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 2013 the Control Committee refers to the auditor's report of 5 February 2014 and supports the views expressed therein concerning the submitted annual accounts.

Oslo, 6 February 2014

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

Governing bodies 31 December 2013

Board of Directors

Members	Title	Board member since
Jon Brenden, Chairman	Deputy Head of Banking Norway, Nordea Bank Norge ASA	2010
Børre Gundersen	Head of Household Business Development, Nordea Bank Norge ASA	2010
Ola Littorin	Head of Long Term Funding in Group Treasury, Nordea Bank AB	2013
Eva I. E. Jarbekk	Lawyer and partner, Føyen Advokatfirma DA	2010
Monica Blix	Business controller, Infratek ASA	2010

Control Committee

Members	Title
Anders Ingebrigtsen, Chairman	Managing Director, Koenig AS, Oslo
Thorleif Haug, Deputy chairman	Consultant, Oslo
Tom Knoff	Consultant, Kolbotn

Committee of Representatives

Members	Title
Anne Stärk-Johansen, Chairman	Head of Operations, Nordea Bank Norge ASA
Jon Kristian Abel, Deputy chairman	Head of Branch Region Stor-Oslo Corporate, Nordea Bank Norge ASA
Bjørn Rasmussen	Management Partner in Retail Banking, Nordea Bank Norge ASA
Brynjolv Anke	Head of Branch Region Middle North, Nordea Bank Norge ASA
Toril Bjørnstad Hanstad	Head of Branch Region Hedmark and Oppland, Nordea Bank Norge ASA
Mathias Martinsen	Management partner in Wholesale Banking, Nordea Bank Norge ASA

Auditor

KPMG
Anfinn Fardal (State Authorized Public Accountant)
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