

Interim Report 3rd quarter 2013

Nordea Eiendoms kreditt AS

Nordea Eiendoms kreditt AS is part of the Nordea Group. Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 11 million customers, more than 900 branch office locations and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.

Key financial figures

Summary of income statement (NOK mill.)

| | Jan-Sep 2013 | Jan-Sep 2012 | Year 2012 |
|--|--------------|--------------|-------------|
| Net interest income | 1490 | 877 | 1241 |
| Net result from items at fair value | 20 | -17 | -14 |
| Other income | 39 | 38 | 51 |
| Total operating income | 1550 | 898 | 1277 |
| Total operating expenses | -116 | -113 | -148 |
| Loan losses (negative figures are reversals) | 4 | -9 | -8 |
| Operating profit | 1429 | 795 | 1137 |
| Income tax expense | 397 | 220 | 321 |
| Net profit for the period | 1032 | 575 | 816 |

Summary of balance sheet (NOK mill.)

| | 30 Sep 2013 | 30 Sep 2012 | 31 Dec 2012 |
|--------------------------|----------------|----------------|----------------|
| Net loans to the public | 118,400 | 110,655 | 113,772 |
| Other assets | 2,715 | 2,252 | 1,859 |
| Debt securities in issue | 86,875 | 83,592 | 83,793 |
| Other liabilities | 26,598 | 24,519 | 25,202 |
| Equity | 7,642 | 4,796 | 6,637 |
| Total assets | 121,116 | 112,907 | 115,632 |
| Average total assets | 121,833 | 106,503 | 108,879 |

Ratios and key figures

| | 30 Sep 2013 | 30 Sep 2012 | 31 Dec 2012 |
|---|-------------|-------------|-------------|
| Earnings per share (NOK), annualised basis | 90.0 | 49.9 | 53.2 |
| Equity per share ¹ (NOK) | 498.3 | 312.7 | 432.7 |
| Shares outstanding ¹ , million | 15.3 | 15.3 | 15.3 |
| Post-tax return on average equity | 19.4 % | 18.1 % | 17.0 % |
| Cost/income ratio | 7.5 % | 12.5 % | 11.6 % |
| Loan loss ratio, annualised, basis points | 0.5 | -1.1 | -0.7 |
| Core tier 1 capital ratio, excl. transition rules ^{1,2} | 57.5 % | 24.9 % | 53.0 % |
| Tier 1 capital ratio, excl. transition rules ^{1,2} | 57.5 % | 24.9 % | 53.0 % |
| Total capital ratio, excl. transition rules ^{1,2} | 64.1 % | 29.2 % | 58.9 % |
| Core tier 1 capital ratio incl. transition rules ^{1,2} | 12.2 % | 8.6 % | 13.1 % |
| Tier 1 capital ratio incl. transition rules ^{1,2} | 12.2 % | 8.6 % | 13.1 % |
| Total capital ratio incl. transition rules ^{1,2} | 13.1 % | 10.1 % | 14.6 % |
| Capital base (NOK mill.) ¹ | 7,354 | 4,873 | 7,333 |
| Risk-weighted assets incl. transition rules (NOK mill) ¹ | 54,067 | 48,375 | 50,187 |
| Number of employees (full-time equivalents) ¹ | 1.6 | 1.6 | 1.6 |

¹ At the end of the period.

² Excluding the year to date result for interim figures.

Nordea Eiendomskreditt AS

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

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

Income statement

Profit from ordinary activities after loan losses but before tax for the first nine months of 2013 was NOK 1,429 million (NOK 795 million). The profit reported is equivalent to a post-tax return on average equity of 19.4% (18.1%) on an annualised basis.

Net interest income for the nine months ending 30 September 2013 increased by 70% compared to the same period last year, and amounted to NOK 1,490 million (NOK 877 million).

Total operating expenses for the first nine months amounted to NOK 116 million (NOK 113 million), of which cost related to management of the lending portfolio and customer contact stands for slightly above 90%.

Loan losses and provisions recognised in the accounts for the first nine months totalled NOK 4 million (NOK -9 million), mainly due to an increase of allocations for collectively assessed loans.

Total assets amounted to NOK 121,116 million as at 30 September 2013 (NOK 112,907 million).

Capital position and risk-weighted assets

Nordea Eiendomskreditt's core tier 1 capital ratio excluding transition rules, was 57.5% at the end of the third quarter, a weakening of 2.9%-points from the end of the previous quarter. Also the tier 1 capital ratio excluding transition rules decreased by 2.9%-points to 57.5%. The total capital ratio excluding transition rules decreased by 3.2%-points to 64.1%.

RWA (Risk Weighted Assets) were NOK 11,481 million excluding transition rules, an increase of NOK 548 million, or 5%, compared to the previous quarter.

The core tier 1 ratio including transition rules was 12.2% at the end of the third quarter. The capital base was NOK 7,354 million, the tier 1 capital was NOK 6,605 million and the core tier 1 capital was also NOK 6,605 million.

Capital regulation

New capital adequacy requirements were introduced in Norway as from 1 July 2013;

- A core tier 1 capital ratio including transition rules of 9%, comprising of a minimum core tier 1 capital ratio of 4.5% and capital buffers of 4.5%.
- A tier 1 capital ratio including transition rules of 10.5%, comprising of a minimum tier 1 capital ratio of 6.0% and capital buffers of 4.5%.
- A total capital ratio including transition rules of 12.5%, comprising of a minimum total capital ratio of 8.0% and capital buffers of 4.5%.

On 13 October, the Ministry of Finance in Norway announced that the currently used LGD (Loss Given Default) floor of 10% for retail mortgage loans will be increased to 20% as from 1 January 2014. The estimated impact for Nordea Eiendomskreditt is an increase of RWA by approx. NOK 4,500 million, which implies a 16.3%-points decrease in the core tier 1 capital ratio excluding transition rules. In addition, the Ministry of Finance confirmed its continued use of the Basel I floor as a backstop to IRB models (Internal Ratings Based models).

Funding

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

During the first nine months of 2013 Nordea Eiendomskreditt has issued covered bonds amounting to NOK 8.8 billion in the Norwegian domestic market under its NOK 75 bn domestic covered bond program. As of 30 September 2013, Nordea Eiendomskreditt had outstanding covered bonds totalling NOK 49.2 billion in the Norwegian market and USD 3.0 billion in the US market, issued under its USD 10 bn 144 a covered bond programme. In addition, Nordea Eiendomskreditt had outstanding NOK 20.0 billion of covered bonds issued in connection with swap arrangements provided by the Norwegian government. For further information on the swap arrangement, see note 12.

Nordea Eiendoms kreditt also had subordinated debt outstanding to the amount of NOK 0.78 billion.

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

In addition to the long term funding, Nordea Eiendoms kreditt also raised short term unsecured funding from the parent bank. At the end of the third quarter of 2013 such borrowings amounted to NOK 23.6 billion.

Rating

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

Lending

The gross book value of loans outstanding amounted to NOK 118.4 billion as at 30 September 2013 (NOK 110.7 billion), which consists entirely of residential mortgage loans and loans to holiday houses, that are managed by Nordea Bank Norge ASA. NOK 109.3 billion of the loan portfolio is included in the collateral pool for the purposes of the calculation of the asset coverage requirement under the covered bond legislation. This represents surplus

collateral of 26.7% in relation to covered bonds issued.

Interest rate and currency hedging

The company uses interest rate and currency swaps to hedge interest rate and currency risk. At the close of the third quarter of 2013, the company was party to interest rate swaps with nominal value of NOK 55.1 billion. In accordance with IFRS, fair value changes of interest rate swaps and the corresponding hedged items (fixed-rate lending and fixed-rate issued bonds) due to changes in market rates, are recognised in the profit and loss accounts.

Nordea Eiendoms kreditt issued in 2011 bonds totalling USD 3 billion in the US market. In order to eliminate the foreign exchange risk, the company has entered into currency swaps of the same amount. Nordea Bank Norge ASA is counterparty to all derivative contracts.

Impaired loans

As at 30 September 2013 impaired loans amounted to NOK 43.7 million which corresponds to 0.04% of the total lending portfolio. Individual allowances of NOK 19.6 million have been made, and net impaired loans were NOK 24.1 million at 30 September 2013, compared to NOK 19.4 million at 30 September 2012.

Nordea Eiendoms kreditt AS Oslo, 6 November 2013



Jon Brenden
Chairman of the Board



Børre Grundersen
Board member



Ola Littorin
Board member



Eva I. E. Jarbekk
Board member



Monica Blix
Board member



Marianne Glatved
Managing director

Income statement

| NOK 1000 | Note | Jan-Sep 2013 | Jan-Sep 2012 | Q3 2013 | Q3 2012 | Year 2012 |
|---|------|------------------|------------------|------------------|------------------|------------------|
| Interest income on loans and deposits with financial institutions | | 7,725 | 5,357 | 5,145 | 1,309 | 7,524 |
| Interest income on loans to customers | | 3,409,871 | 2,970,340 | 1,173,134 | 1,039,842 | 3,989,908 |
| Other interest income | | 322 | 91 | 114 | 91 | 191 |
| Total interest income | | 3,417,918 | 2,975,789 | 1,178,392 | 1,041,242 | 3,997,624 |
| Interest expense on liabilities to financial institutions | | 344,870 | 352,220 | 110,048 | 126,076 | 475,708 |
| Interest expense on securities issued | | 1,585,689 | 1,577,136 | 518,715 | 540,082 | 2,092,810 |
| Interest expense on subordinated loan capital | | 32,252 | 36,818 | 10,670 | 11,619 | 48,031 |
| Other interest expense | | -35,261 | 132,801 | -22,313 | 35,943 | 140,568 |
| Total interest expense | | 1,927,549 | 2,098,974 | 617,119 | 713,719 | 2,757,117 |
| Net interest income | | 1,490,369 | 876,815 | 561,273 | 327,523 | 1,240,507 |
| Fee and commission income | | 40,921 | 39,368 | 13,913 | 13,809 | 53,787 |
| Fee and commission expense | | 1,774 | 1,367 | 691 | 445 | 3,263 |
| Net fee and commission income | | 39,146 | 38,002 | 13,223 | 13,365 | 50,524 |
| Net result from items at fair value | 3 | 20,240 | -16,682 | -142 | -12,008 | -13,998 |
| Total operating income | | 1,549,755 | 898,134 | 574,354 | 328,880 | 1,277,034 |
| Staff costs ¹ | | 1,754 | 1,731 | 577 | 551 | 2,285 |
| Other expenses | | 114,272 | 110,794 | 41,457 | 36,910 | 145,799 |
| Total operating expenses | | 116,026 | 112,525 | 42,033 | 37,461 | 148,084 |
| Profit before loan losses | | 1,433,729 | 785,609 | 532,321 | 291,419 | 1,128,949 |
| Loan losses (negative figures are reversals) | 4 | 4,288 | -9,437 | 7,275 | -6,628 | -8,021 |
| Operating profit | | 1,429,441 | 795,046 | 525,045 | 298,047 | 1,136,970 |
| Income tax expense ¹ | | 397,259 | 220,225 | 144,028 | 81,065 | 321,284 |
| Net profit for the period | | 1,032,182 | 574,821 | 381,017 | 216,982 | 815,686 |
| Attributable to: | | | | | | |
| Shareholder of Nordea Eiendomskreditt AS | | 1,032,182 | 574,821 | 381,017 | 216,982 | 815,686 |
| Total | | 1,032,182 | 574,821 | 381,017 | 216,982 | 815,686 |

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

Statement of comprehensive income

| NOK 1000 | Jan-Sep 2013 | Jan-Sep 2012 | Q3 2013 | Q3 2012 | Year 2012 |
|--|------------------|----------------|----------------|----------------|----------------|
| Net profit for the period | 1,032,182 | 574,821 | 381,017 | 216,982 | 815,686 |
| Cash Flow hedges: | | | | | |
| Valuation gains/losses taken to equity | -35,685 | 0 | 463 | 0 | 0 |
| Tax on valuation gains/losses during the period | 9,992 | 0 | -129 | 0 | 0 |
| Defined benefit plans: | | | | | |
| Remeasurement of defined benefit plans ¹ | 0 | 0 | 0 | 0 | 578 |
| Tax on remeasurement of defined benefit plans ¹ | 0 | 0 | 0 | 0 | -162 |
| Other comprehensive income, net of tax | -25,694 | 0 | 334 | 0 | 416 |
| Total comprehensive income | 1,006,488 | 574,821 | 381,351 | 216,982 | 816,102 |
| Attributable to: | | | | | |
| Shareholder of Nordea Eiendomskreditt AS | 1,006,488 | 574,821 | 381,351 | 216,982 | 816,102 |
| Total | 1,006,488 | 574,821 | 381,351 | 216,982 | 816,102 |

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

Balance sheet

| NOK 1000 | Note | 30 Sep 2013 | 30 Sep 2012 | 31 Dec 2012 |
|---|----------|--------------------|--------------------|--------------------|
| Assets | | | | |
| Loans to credit institutions | | 296,530 | 295,944 | 83,468 |
| Loans to the public | 4 | 118,400,363 | 110,655,052 | 113,772,332 |
| Derivatives | 6 | 2,125,012 | 1,354,495 | 1,232,911 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | | 87,428 | 382,258 | 353,186 |
| Other assets | | 191 | -349 | 659 |
| Accrued income and prepaid expenses | | 206,032 | 219,428 | 189,151 |
| Total assets | 5 | 121,115,556 | 112,906,828 | 115,631,707 |
| Liabilities | | | | |
| Total deposits by credit institutions | | 23,600,741 | 21,500,000 | 21,900,670 |
| Debt securities in issue | | 86,875,251 | 83,591,820 | 83,792,777 |
| Derivatives | 6 | 408,790 | 570,399 | 604,898 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | | 735,823 | 1,108,627 | 1,121,077 |
| Deferred tax liabilities ¹ | | 48,615 | 16,990 | 61,750 |
| Current tax liabilities | | 403,381 | 239,104 | 290,104 |
| Other liabilities | | 334,543 | 2,818 | 1,860 |
| Accrued expenses and prepaid income | | 283,234 | 298,111 | 439,777 |
| Provisions | | 280 | 374 | 280 |
| Retirement benefit obligations ¹ | | 2,534 | 3,992 | 2,639 |
| Subordinated loan capital | | 780,000 | 780,000 | 780,000 |
| Total liabilities | | 113,473,193 | 108,112,235 | 108,995,832 |
| Equity | | | | |
| Share capital | | 1,686,990 | 1,533,627 | 1,686,990 |
| Share premium reserve | | 1,446,637 | 0 | 1,446,637 |
| Other reserves ¹ | | -25,278 | 0 | 416 |
| Retained earnings ¹ | | 3,501,832 | 2,686,145 | 3,501,832 |
| Net profit for the period | | 1,032,182 | 574,821 | |
| Total equity | | 7,642,363 | 4,794,593 | 6,635,875 |
| Total liabilities and equity | | 121,115,556 | 112,906,828 | 115,631,707 |
| | | | | |
| Assets pledged as security for own liabilities | | 109,280,078 | 103,702,237 | 106,657,701 |
| Contingent liabilities | | 3,098 | 3,921 | 3,098 |
| Commitments | | 11,906,741 | 9,474,715 | 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 | | Retained earnings | Total equity |
|---------------------------------------|-----------------------------|-----------------------|------------------|-----------------------|-------------------|------------------|
| | | | Cash flow hedges | Defined benefit plans | | |
| Opening balance at 1 Jan 2013 | 1,686,990 | 1,446,637 | | 416 | 3,501,832 | 6,635,875 |
| Total comprehensive income | | | -25,694 | | 1,032,182 | 1,006,488 |
| Closing balance at 30 Sep 2013 | 1,686,990 | 1,446,637 | -25,694 | 416 | 4,534,014 | 7,642,363 |

| NOK 1000 | Share capital ¹⁾ | Share premium reserve | Other reserves | | Retained earnings | Total equity |
|---|-----------------------------|-----------------------|------------------|-----------------------|-------------------|------------------|
| | | | Cash flow hedges | Defined benefit plans | | |
| 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 | 1,686,989 | 1,446,637 | | 416 | 3,501,832 | 6,635,875 |

| NOK 1000 | Share capital ¹⁾ | Share premium reserve | Other reserves | | Retained earnings | Total equity |
|---|-----------------------------|-----------------------|------------------|-----------------------|-------------------|------------------|
| | | | Cash flow hedges | Defined benefit plans | | |
| 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 | | | | | 574,821 | 574,821 |
| Closing balance at 30 Sep 2012 | 1,533,627 | 0 | | 0 | 3,260,967 | 4,794,593 |

¹ The company's share capital at 30 September 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

Nordea Eiendomskreditt AS Oslo, 6 November 2013



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Chairman of the Board




Børre Gundersen
Board member



Ola Littorin
Board member



Eva I. E. Jarbekk
Board member



Monica Blix
Board member



Marianne Glatved
Managing director

Cash flow statement

| NOK 1000 | Jan-Sep 2013 | Jan-Sep 2012 | Year 2012 |
|---|------------------|----------------|-------------------|
| Operating activities | | | |
| Operating profit before tax | 1,429,441 | 795,000 | 1,136,909 |
| Income taxes paid | -287,125 | -116,638 | -122,100 |
| Adjustments for items not included in cash flow | -973 | | |
| Change in write-downs to provide for loan losses | 1,549 | -9,696 | -10,831 |
| Cash flow from operating activities before changes in op. assets and liab. | 1,142,892 | 668,666 | 1,003,978 |
| Changes in operating assets and liabilities | | | |
| Change in loans to the public | -4,629,580 | -22,107,900 | -25,224,046 |
| Change in debt securities in issue | 3,082,474 | 14,625,244 | 14,826,201 |
| Change in deposits by credit institutions | 1,700,071 | 6,250,000 | 6,650,670 |
| Change in other receivables | -642,756 | 335,974 | 515,900 |
| Change in other liabilities | -440,040 | 370,367 | 557,172 |
| Cash flow from operating activities | 213,061 | 142,351 | -1,670,125 |
| Investing activities | | | |
| Change in loans and receivables to credit institutions, fixed terms | 0 | 0 | 0 |
| Change in holdings of bearer bonds issued by others | 0 | 0 | 0 |
| Cash flow from investing activities | 0 | 0 | 0 |
| Financing activities | | | |
| Group contribution/dividend paid | 0 | 0 | 0 |
| Change in subordinated loan capital | 0 | 0 | 0 |
| Recognised directly in equity | 0 | 0 | 1,600,000 |
| Cash flow from financing activities | 0 | 0 | 1,600,000 |
| Cash flow for the period | 213,061 | 142,351 | -70,125 |
| Cash and cash equivalents at beginning of period | 83,468 | 153,593 | 153,593 |
| Cash and cash equivalents at end of period | 296,530 | 295,944 | 83,468 |
| Change | 213,061 | 142,351 | -70,125 |

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

Notes to the financial statement

Note 1 Accounting policies

The accounts of Nordea Eiendomskreditt AS have been prepared in accordance with the Norwegian Accounting Act and the International Financial Reporting Standards (IFRS) and interpretation of such standards by the International Financial Reporting Standards Interpretation Committee (IFRS IC), as endorsed by the EU Commission.

The interim accounts for the period 1 January to 30 September 2013 are presented in accordance with IAS 34 Interim Financial Reporting.

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 presentation of defined benefit plans as described below.

The new standard IFRS 13 Fair Value Measurement was implemented in the first quarter 2013 but has not had any impact on the measurement of assets or liabilities. The additional disclosures required by IFRS 13 on a quarterly basis are presented in Note 7 Fair value of financial assets and liabilities and Note 8 Financial assets and liabilities measured at fair value in the balance sheet.

IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures have been amended as regards offsetting of financial assets and financial liabilities. Nordea has implemented these changes in the first quarter 2013. There was no impact from the amendment to IAS 32, while the additional disclosures required by IFRS 7 are presented in Note 9 Financial instruments set off on balance or subject to master netting agreements.

IAS 19 Employee Benefits

The amended IAS 19 Employee Benefits was implemented 1 January 2013. A detailed description of these changes is included in the Annual Report 2012, Note 1 Accounting policies section 3 Changes in IFRSs not yet applied by Nordea. The comparative figures have been restated accordingly and are disclosed in the below tables.

| | Q3 2012 | | Full year 2012 | |
|--|---------------|---------------|----------------|---------------|
| | New policy | Old policy | New policy | Old policy |
| NOKt | | | | |
| Staff costs | 551 | 566 | 2,285 | 2,346 |
| Income tax expense | 81,065 | 81,061 | 321,284 | 321,267 |
| Other comprehensive income, net of tax | - | - | 416 | - |

| | 31 Dec 2012 | | 30 Sep 2012 | | 1 Jan 2012 | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | New policy | Old policy | New policy | Old policy | New policy | Old policy |
| NOKt | | | | | | |
| Net retirement benefit obligations | 2,639 | 1,667 | 3,992 | 2,426 | 3,747 | 2,135 |
| Net deferred tax | 61,750 | 62,022 | 16,990 | 17,429 | 34,243 | 33,792 |
| Other comprehensive income, net of tax | 416 | - | - | - | - | - |
| Retained earnings | 3,501,832 | 3,502,949 | 3,260,966 | 3,262,094 | 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 assets.

Exchange rates

| | Jan-Sep 2013 | Full year 2012 | Jan-Sep 2012 |
|----------------------------------|-----------------|-------------------|-----------------|
| USD 1 = NOK | | | |
| Income statement (average) | 5.8193 | 5.8186 | 5.8657 |
| Balance sheet (at end of period) | 6.0082 | 5.5694 | 5.6995 |

Note 2 Segment information

The activities of Nordea Eiendomskreditt AS represent a single segment. This is a result of the manner in which the company is organised and managed, including the system for internal reporting whereby the business is to all practical purposes managed as a single segment.

The services provided by Nordea Eiendomskreditt AS are judged to be subject to the same risks and yield requirements. Nordea Eiendomskreditt AS is part of the Retail Banking segment of the Nordea Bank Norge group.

Note 3 Net result from items at fair value

| NOK 1000 | Jan-Sep 2013 | Jan-Sep 2012 | Year 2012 |
|-------------------------------|---------------|----------------|----------------|
| Interest-bearing securities | -9,635 | | -1,585 |
| Other financial instruments | 29,874 | -16,682 | -12,413 |
| Foreign exchange gains/losses | | | |
| Total | 20,240 | -16,682 | -13,998 |

Net gains/losses for categories of financial instruments

| NOK 1000 | Jan-Sep 2013 | Jan-Sep 2012 | Year 2012 |
|--|---------------|----------------|----------------|
| Foreign currency derivatives | | | |
| Financial instruments under hedge accounting | 29,874 | -16,682 | -12,413 |
| – of which net gains/losses on hedged items | 156,396 | -529,523 | -571,016 |
| – of which net gains/losses on hedging instruments | -126,521 | 512,841 | 558,603 |
| Other financial liabilities | -9,635 | | -1,585 |
| Total | 20,240 | -16,682 | -13,998 |

Note 4 Loans and impairment

Loan losses

| NOK 1000 | Jan-Sep 2013 | Jan-Dec 2012 | Jan-Sep 2012 |
|--|--------------|---------------|---------------|
| Change in allowances for individually assessed loans | -1,995 | 10,370 | 8,826 |
| Change in allowances for collectively assessed loans | 3,544 | -21,200 | -18,600 |
| Realised loan losses in the period | 2,740 | 2,815 | 342 |
| Recoveries of loan losses realised previous years | -1 | -5 | -5 |
| Total loan losses for the period | 4,288 | -8,021 | -9,437 |

Reconciliation of allowance accounts for impaired loans

| NOK 1000 | Jan-Sep 2013 | | | Jan-Dec 2012 | | | Jan-Sep 2012 | | |
|---|-----------------------|-----------------------|---------------|-----------------------|-----------------------|----------------|-----------------------|-----------------------|---------------|
| | Individually assessed | Collectively assessed | Total | Individually assessed | Collectively assessed | Total | Individually assessed | Collectively assessed | Total |
| Opening balance at beginning of period | 21,634 | 11,800 | 33,434 | 11,264 | 33,000 | 44,264 | 11,264 | 33,000 | 44,264 |
| Provisions | 5,061 | 7,344 | 12,405 | 14,026 | 0 | 14,026 | 12,420 | 0 | 12,420 |
| Reversals | -4,262 | -3,800 | -8,062 | -3,429 | -21,200 | -24,629 | -3,367 | -18,600 | -21,967 |
| Changes through the income statement | 799 | 3,544 | 4,343 | 10,597 | -21,200 | -10,603 | 9,053 | -18,600 | -9,547 |
| Allowances used to cover write-offs | -2,794 | 0 | -2,794 | -227 | 0 | -227 | -149 | 0 | -149 |
| Closing balance at end of period | 19,639 | 15,344 | 34,983 | 21,634 | 11,800 | 33,434 | 20,168 | 14,400 | 34,568 |

Loans and their impairment

| NOK 1000 | 30 Sep 2013 | 31 Dec 2012 | 30 Sep 2012 |
|--|--------------------|--------------------|--------------------|
| Loans, not impaired | 118,390,923 | 113,762,631 | 110,650,008 |
| Impaired loans; | 43,711 | 43,135 | 39,612 |
| - Performing | 3,612 | 3,630 | 6,177 |
| - Non-performing | 40,099 | 39,505 | 33,435 |
| Loans before allowances | 118,435,346 | 113,805,766 | 110,689,620 |
| Allowances for individually assessed impaired loans; | -19,639 | -21,634 | -20,168 |
| - Performing | -1,132 | -1,151 | -1,817 |
| - Non-performing | -18,507 | -20,482 | -18,352 |
| Allowances for collectively assessed impaired loans | -15,344 | -11,800 | -14,400 |
| Allowances | -34,983 | -33,434 | -34,568 |
| Loans, carrying amount | 118,400,363 | 113,772,332 | 110,655,052 |

Key ratios

| | 30 Sep 2013 | 31 Dec 2012 | 30 Sep 2012 |
|---|-------------|-------------|-------------|
| Impairment rate, gross ¹ , in % | 0.04 | 0.04 | 0.04 |
| Impairment rate, net ² , in % | 0.02 | 0.02 | 0.02 |
| Total allowance rate ³ , in % | 0.03 | 0.03 | 0.03 |
| Allowance rate, impaired loans ⁴ , in % | 44.9 | 50.2 | 50.9 |
| Total allowances in relation to impaired loans, in % | 80.0 | 77.5 | 87.3 |
| Non-performing loans, not impaired ⁵ , in NOK 1000 | 231,041 | 237,293 | 230,127 |

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

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

³ Total allowances divided by total loans before allowances,

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

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

Note 5 Classification of financial instruments

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

| Assets | Loans and receivables | Assets at fair value through profit and loss | Derivatives used for hedging | Available for sale | Non-financial assets | Total |
|--|--------------------------|--|---------------------------------|-----------------------|-------------------------|--------------------|
| Loans to credit institutions | 296,530 | | | | | 296,530 |
| Loans to the public | 118,400,363 | | | | | 118,400,363 |
| Derivatives | | | 2,125,012 | | | 2,125,012 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 87,428 | | | | | 87,428 |
| Deferred tax assets | | | | | | 0 |
| Other assets | | | | | 191 | 191 |
| Prepaid expenses and accrued income | 206,032 | | | | | 206,032 |
| Total 30 Sep 2013 | 118,990,353 | 0 | 2,125,012 | 0 | 191 | 121,115,556 |
| Total 31 Dec 2012 | 114,045,611 | 0 | 1,586,097 | 0 | 0 | 115,631,707 |
| Total 30 Sep 2012 | 111,552,333 | 0 | 1,354,495 | 0 | 0 | 112,906,828 |

| Liabilities | Liabilities at fair value through profit and loss | Derivatives used for hedging | Other financial liabilities | Non-financial liabilities | Total |
|--|---|---------------------------------|--------------------------------|------------------------------|--------------------|
| Deposits by credit institutions | | | 23,600,741 | | 23,600,741 |
| Debt securities in issue | | | 86,875,251 | | 86,875,251 |
| Derivatives | | 408,790 | | | 408,790 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | | | 735,823 | | 735,823 |
| Current tax liabilities | | | | 403,381 | 403,381 |
| Other liabilities | | | | 334,823 | 334,823 |
| Accrued expenses and prepaid income | | | | 283,234 | 283,234 |
| Retirement benefit obligations | | | | 2,534 | 2,534 |
| Deferred tax liabilities | | | | 48,615 | 48,615 |
| Subordinated loan capital | | | 780,000 | | 780,000 |
| Total 30 Sep 2013 | 0 | 408,790 | 111,991,814 | 1,072,587 | 113,473,193 |
| Total 31 Dec 2012 | 0 | 1,725,975 | 106,473,447 | 795,709 | 108,995,131 |
| Total 30 Sep 2012 | 0 | 570,399 | 106,980,446 | 560,262 | 108,111,107 |

Note 6 Derivatives and hedge accounting

30 Sep 2013

| NOK 1000 | Fair value | | Total nominal amount |
|--|------------|----------|----------------------|
| | Positive | Negative | |
| Derivatives used for hedge accounting: | | | |
| Interest rate swaps | 869,240 | 408,790 | 55,100,290 |
| Currency interest rate swaps | 1,255,771 | 0 | 18,024,435 |
| Total | 2,125,012 | 408,790 | 73,124,726 |
| | | | |
| Total derivatives | 2,125,012 | 408,790 | 73,124,726 |

31 Dec 2012

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

30 Sep 2012

| NOK 1000 | Fair value | | Total nominal amount |
|--|------------|----------|----------------------|
| | Positive | Negative | |
| Derivatives used for hedge accounting: | | | |
| Interest rate swaps | 1,009,060 | 570,399 | 73,035,072 |
| Currency interest rate swaps | 345,435 | 0 | 17,098,608 |
| Total | 1,354,495 | 570,399 | 90,133,680 |
| | | | |
| Total derivatives | 1,354,495 | 570,399 | 90,133,680 |

Note 7 Fair value of financial assets and liabilities

| NOK 1000 | 30 Sep 2013 | |
|---|--------------------|--------------------|
| | Carrying amount | Fair value |
| Assets | | |
| Loans and receivables to credit institutions | 296,530 | 296,530 |
| Loans and receivables to the public | 118,400,363 | 118,400,363 |
| Derivatives | 2,125,012 | 2,125,012 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 87,428 | 87,428 |
| Other assets | 191 | 191 |
| Prepaid expenses and accrued income | 206,032 | 206,032 |
| Total assets | 121,115,556 | 121,115,556 |
| | | |
| | Carrying amount | Fair value |
| Liabilities | | |
| Deposits by credit institutions | 23,600,741 | 23,599,574 |
| Debt securities in issue | 86,875,251 | 86,966,652 |
| Derivatives | 408,790 | 408,790 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | 735,823 | 735,823 |
| Current tax liabilities | 403,381 | 403,381 |
| Other liabilities | 334,823 | 334,823 |
| Accrued expenses and prepaid income | 283,234 | 283,234 |
| Retirement benefit obligations | 2,534 | 2,534 |
| Deferred tax liabilities | 48,615 | 48,615 |
| Subordinated liabilities | 780,000 | 780,053 |
| Total liabilities | 113,473,193 | 113,563,480 |

The determination of fair value is described in the Annual Report 2012 note 17 Assets and liabilities at fair value.

Note 8 Financial assets and liabilities measured at fair value in the balance sheet

Categorisation into fair value hierarchy

30 Sep 2013

| NOK 1000 | Quoted prices in active markets for same instrument (Level 1) | Valuation technique using observable data (Level 2) | Valuation technique using non-observable data (Level 3) |
|--|---|---|---|
| Financial assets¹ | | | |
| Loans to the public | | | |
| Interest-bearing securities | | | |
| Derivatives | | 2,125,012 | |
| Total assets | 0 | 2,125,012 | 0 |
| Financial liabilities¹ | | | |
| Debt securities in issue | | | |
| Derivatives | | 408,790 | |
| Total liabilities | 0 | 408,790 | 0 |

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

Financial assets and liabilities with offsetting positions in market risk and counterparty risk are measured on the basis of the price that would be received to sell the net asset position or paid to transfer the net liability position for that risk exposure. For more information about valuation techniques and inputs used in the fair value measurement, see the Annual Report 2012, note 17 Assets and liabilities at fair value.

Note 9 Financial instruments set off on balance or subject to netting agreements

| | Gross recog- nised financial assets ¹⁾ | Gross recog- nised 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 | | | Net amount |
|---------------------------------|---|---|--|--|-------------------------------------|-----------------------------|------------------|
| | | | | Financial instruments | Financial collateral received | Cash collateral received | |
| 30 Sep 2013, NOKt | | | | | | | |
| Assets | | | | | | | |
| Derivatives | 2,125,012 | | 2,125,012 | -408,790 | | | 1,716,222 |
| Reverse repurchase agreements | | | 0 | | | | 0 |
| Securities borrowing agreements | | | 0 | | | | 0 |
| Loans | | | 0 | | | | 0 |
| Variation margin | | | 0 | | | | 0 |
| Other | | | 0 | | | | 0 |
| Total | 2,125,012 | 0 | 2,125,012 | -408,790 | 0 | 0 | 1,716,222 |

| | Gross recog- nised financial liabilities ¹⁾ | Gross recog- nised 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 | | | Net amount |
|-------------------------------|--|--|--|--|------------------------------------|----------------------------|------------|
| | | | | Financial instruments | Financial collateral pledged | Cash collateral pledged | |
| 30 Sep 2013, NOKt | | | | | | | |
| Liabilities | | | | | | | |
| Derivatives | 408,790 | | 408,790 | -408,790 | | | 0 |
| Repurchase agreements | | | 0 | | | | 0 |
| Securities lending agreements | | | 0 | | | | 0 |
| Deposits | | | 0 | | | | 0 |
| Variation margin | | | 0 | | | | 0 |
| Other | | | 0 | | | | 0 |
| Total | 408,790 | 0 | 408,790 | -408,790 | 0 | 0 | 0 |

1) All amounts are measured at fair value.

| | Gross recog- nised financial assets ¹⁾ | Gross recog- nised 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 | | | Net amount |
|---------------------------------|---|---|--|--|-------------------------------------|-----------------------------|------------------|
| | | | | Financial instruments | Financial collateral received | Cash collateral received | |
| 30 Sep 2012, NOKt | | | | | | | |
| Assets | | | | | | | |
| Derivatives | 1,356,672 | | 1,356,672 | -265,465 | | | 1,091,207 |
| Reverse repurchase agreements | | | 0 | | | | 0 |
| Securities borrowing agreements | | | 0 | | | | 0 |
| Loans | | | 0 | | | | 0 |
| Variation margin | | | 0 | | | | 0 |
| Other | | | 0 | | | | 0 |
| Total | 1,356,672 | 0 | 1,356,672 | -265,465 | 0 | 0 | 1,091,207 |

Note 9 Financial instruments set off on balance or subject to netting agreements cont.

| 30 Sep 2012, NOKt | Gross recog- nised financial liabilities ¹⁾ | Gross recog- nised 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 | | | Net amount |
|-------------------------------|--|--|--|--|------------------------------------|----------------------------|------------|
| | | | | Financial instruments | Financial collateral pledged | Cash collateral pledged | |
| Liabilities | | | | | | | |
| Derivatives | 265,465 | | 265,465 | -265,465 | | | 0 |
| Repurchase agreements | | | 0 | | | | 0 |
| Securities lending agreements | | | 0 | | | | 0 |
| Deposits | | | 0 | | | | 0 |
| Variation margin | | | 0 | | | | 0 |
| Other | | | 0 | | | | 0 |
| Total | 265,465 | 0 | 265,465 | -265,465 | 0 | 0 | 0 |

1) All amounts are measured at fair value.

Enforceable 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 10 Capital adequacy

Capital base

| | 30 Sep 2013 | 31 Dec 2012 | 30 Sep 2012 |
|----------------------------------|----------------|----------------|----------------|
| NOKm | | | |
| Core tier 1 capital ¹ | 6,605 | 6,595 | 4,157 |
| Tier 1 capital ¹ | 6,605 | 6,595 | 4,157 |
| Capital base ¹ | 7,354 | 7,333 | 4,873 |

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

| | 30 Sep 2013 | 30 Sep 2013 | 31 Dec 2012 | 31 Dec 2012 | 30 Sep 2012 | 30 Sep 2012 |
|--|-------------------------------------|----------------|-------------------------------------|----------------|-------------------------------------|----------------|
| Capital requirement | Capital requirement ¹ | RWA | Capital requirement ¹ | RWA | Capital requirement ¹ | RWA |
| NOKm | | | | | | |
| Credit risk | 809 | 10,117 | 923 | 11,536 | 1,262 | 15,774 |
| IRB | 768 | 9,599 | 885 | 11,069 | 1,222 | 15,279 |
| - of which corporate | - | - | - | - | - | - |
| - of which institutions | - | - | - | - | - | - |
| - of which retail | 768 | 9,599 | 885 | 11,069 | 1,222 | 15,279 |
| of which retail SME | - | - | - | - | - | - |
| of which retail real estate | 675 | 8,433 | 807 | 10,084 | 1,151 | 14,390 |
| of which retail other | 93 | 1,167 | 79 | 985 | 71 | 889 |
| - of which other | - | - | - | - | - | - |
| Standardised | 41 | 517 | 37 | 467 | 40 | 495 |
| - of which sovereign | - | - | - | - | - | - |
| - of which retail | - | - | - | - | - | - |
| - of which other | 41 | 517 | 37 | 467 | 40 | 495 |
| 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 | 72 | 906 |
| Standardised | 109 | 1,364 | 72 | 906 | 72 | 906 |
| Sub total | 918 | 11,481 | 995 | 12,442 | 1,334 | 16,680 |
| Adjustment for transition rules | | | | | | |
| Additional capital requirement according to transition rules | 3,407 | 42,586 | 3,020 | 37,745 | 2,536 | 31,695 |
| Total | 4,325 | 54,067 | 4,015 | 50,187 | 3,870 | 48,375 |

¹ 8% minimum capital requirement.

Capital ratio excl. transition rules

| | 30 Sep 2013 | 31 Dec 2012 | 30 Sep 2012 |
|--|----------------|----------------|----------------|
| Core tier 1 capital ratio ¹ , % | 57.5 | 53.0 | 24.9 |
| Tier 1 capital ratio ¹ , % | 57.5 | 53.0 | 24.9 |
| Capital base ratio ¹ , % | 64.1 | 58.9 | 29.2 |

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

Note 10 Capital adequacy cont.

Capital ratio incl. transition rules

| | 30 Sep 2013 | 31 Dec 2012 | 30 Sep 2012 |
|--|----------------|----------------|----------------|
| Core tier 1 capital ratio ¹ , % | 12.2 | 13.1 | 8.6 |
| Tier 1 capital ratio ¹ , % | 12.2 | 13.1 | 8.6 |
| Capital base ratio ¹ , % | 13.6 | 14.6 | 10.1 |

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

Analysis of capital requirements

| Exposure class, 30-Sep 2013 | Average risk weight (%) | Capital requirement ¹ (NOKm) |
|-----------------------------|-------------------------|---|
| Corporate IRB | – | – |
| Institutions IRB | – | – |
| Retail IRB | 8 | 768 |
| Sovereign | – | – |
| Other | 20 | 41 |
| Total credit risk | 8 | 809 |

¹ 8% minimum capital requirement.

Note 11 Risks and uncertainties

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

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

information on the composition of the company's risk exposure and risk management can be found in the Annual Report for 2012.

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

Note 12 Transactions with related parties

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

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

Nordea Bank Norge also provides short term funding to Nordea Eiendomskreditt, and the bank has bought bonds issued by Nordea Eiendomskreditt worth of NOK 20 billion as at 30 September 2013. NOK 15.3 billion hereof are exchanged with government securities in the swap arrangements provided by Norges Bank. Only Nordea Bank Norge can be counterpart to Norges Bank for bonds issued by Nordea Eiendomskreditt.

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

and refinancings will reduce the company's loan portfolio. Loans that cease to be a part of the portfolio, are replaced by new purchases of loans from the parent bank. This year to date, loans amounting to NOK 36.0 billion have been transferred from Nordea Bank Norway to Nordea Eiendomskreditt.

The transferred loans are continued to be managed by Nordea Bank Norway. For this service Nordea Eiendomskreditt has paid Nordea Bank Norway an amount of NOK 104.6 million in the first nine months of 2013.

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

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