Nordea

Annual Report 2014

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, approximately 700 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 the income statement (NOKm)

	2014	2013
Net interest income	**2 059**	**2 059**
Net result from items at fair value	(23)	24
Other income	47	50
Total operating income	**2 083**	**2 133**
Staff costs	(3)	(2)
Other expenses	(155)	(153)
Total operating expenses	**(158)**	**(155)**
Loan losses	14	10
Operating profit	**1 911**	**1 969**
Income tax expense	553	545
Net profit for the year	**1 359**	**1 423**

Summary of the balance sheet (NOKm)

	2014	2013
Loans to the public	114 930	116 542
Allowance for loan losses	-46	-40
Other assets	5 181	2 890
Debt securities in issue	89 982	87 830
Other liabilities	20 569	23 536
Equity	9 514	8 026
Total assets	**120 065**	**119 392**
Average total assets	117 087	121 950

Ratios and key figures

	2014	2013
Earnings per share (NOK)	88,6	92,8
Equity per share [1] (NOK)	620,4	523,4
Shares outstanding [1], million	15,3	15,3
Post-tax return on average equity	15,4 %	19,5 %
Cost/income ratio	7,6 %	7,3 %
Common Equity Tier 1 capital ratio, excl. Basel I floor [1, 2]	60,5 %	71,8 %
Tier 1 capital ratio, excl. Basel I floor [1, 2]	60,5 %	71,8 %
Total capital ratio, excl. Basel I floor [1, 2]	65,5 %	78,5 %
Common Equity Tier 1 capital ratio, incl. Basel I floor [1, 2]	17,9 %	15,1 %
Tier 1 capital ratio incl. Basel I floor [1, 2]	17,9 %	15,1 %
Total capital ratio incl. Basel I floor [1, 2]	19,4 %	16,5 %
Own funds (NOK mill.) [1, 2]	10 126	8 785
Risk exposure amount incl. Basel I floor (NOKm) [1]	52 281	53 110

[1] At the end of the period

[2] Including profit

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 acquire residential mortgage loans and loan to holiday houses and to fund its lending activities primarily via issuance of covered bonds in the Norwegian and international market.
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 2014

The company reported a pre-tax profit for 2014 of NOK 1,911m, a small decrease from NOK 1,969m in 2013. Net lending was NOK 114.9bn at 31 December 2014 as compared to NOK 116.5bn at 31 December 2013. The company issued covered bonds in 2014 totalling NOK 20.2bn in the Norwegian market and GBP 0.5bn in the British market.

Comments on the Income Statement

Total operating income was NOK 2,083m (compared to NOK 2,133m in 2013) which gives a decrease of 2.4%.

Net interest income in 2014 stayed at the same level as the previous year, and landed at NOK 2,059m (NOK 2,059m in 2013). Average lending volume has been somewhat lower in 2014 that the previous year, while the interest rate margin has been higher, and these two effects net each other out.

Net fee and commission income decreased from 2013 to 2014 and ended at NOK 47.2m (NOK 50.3m in 2013). The income regards lending related commissions, and the decrease is explained by a lower lending portfolio in 2014.

Net result from items at fair value ended at a cost of NOK 23.2m (income of NOK 23.8m in 2013). In accordance with IFRS, net result from items at fair value includes both realized gain/loss from buy-backs of own bonds and corresponding interest rate swaps, as well as 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 -11.3m in 2014 (NOK 35.7m in 2013).

Total operating expenses increased by 1.9% to NOK 157.7m (NOK 154.8m in 2013). 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 2013. 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 (0.13%). Nordea Eiendomskreditt AS does not incur any costs for research and development activities.

Net loan losses for 2014 ended at NOK 14.1m. Allowances for collectively assessed loans were increased by NOK 0.6m during the year, and loan losses for individually assessed loans was NOK 13.5m. Comparable figures for 2013 were an increase in collective allowances of NOK 5.7m and loan losses for individually assessed loans of NOK 4.2m, in total a net cost of of NOK 9.9m.

Taxes for the year amounted to NOK 552.6m, of which NOK 508.3m relates to tax payable, NOK 55.5m was due to changes in deferred tax and NOK -11.2m is a correction of taxes for previous years.

Net profit for the year amounted to NOK 1,358.4m (compared to NOK 1,423.4m for 2013). This gives a return on average equity of 15.4% (19.5%).

Comments on the Balance Sheet

Assets and lending activities

Gross lending to customers at 31 December 2014 amounted to NOK 114.9bn compared to NOK 116.5bn at the end of 2013, representing a decrease of 1.4%. 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 103.3bn 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 18.6% in relation to the covered bonds issued.

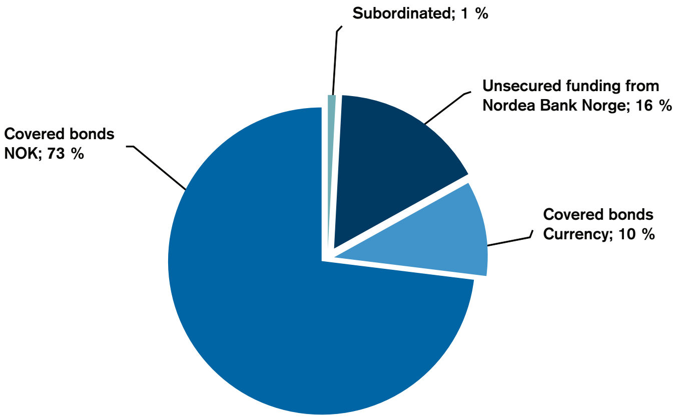
Liabilities and funding activities

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

During 2014 Nordea Eiendomskreditt has issued covered bonds amounting to NOK 20.2bn in the Norwegian domestic market under its NOK 100bn domestic covered bond program. Issuance is done via taps of outstanding and new bonds via designated dealers. As of 31 December 2014, Nordea Eiendomskreditt had outstanding covered bonds totalling NOK 66.2bn in the Norwegian market, USD 1.0bn in the US market and GBP 0.5 bn in the British market. In addition, Nordea Eiendomskreditt had outstanding NOK 10bn 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 2014 such borrowings amounted to NOK 17.1bn.

The following figure shows the company's funding structure as at 31 December 2014



Equity

Shareholder's equity ended at NOK 9,514m at 31 December 2014. This includes net profit for the year of NOK 1,358m.

Allocation of net profit for the year

Nordea Eiendomskreditt AS reported an operating profit for the year of NOK 1,911m. The Board of Directors will propose to the General Assembly that the company distribute a group contribution with taxable effect of NOK 1 800m to the parent company Nordea Bank Norge ASA, and a net profit of NOK 44m after tax to the company's equity reserves. Further, the company will receive a group contribution without taxable effect of NOK 1,314m 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 2014, the company was party to interest rate swaps with a nominal value of NOK 76.1bn.

Nordea Eiendomskreditt has covered bonds totalling USD 1.0bn issued in the US market in 2011 and GBP 0.5bn issued in the British market in 2014. In order to eliminate the foreign exchange risk, the company has entered into currency swaps of the same amount. Nordea Bank Norge ASA is counterparty to all derivative contracts.
For total exposure regarding off-balance sheet commitments, see note 9 Derivatives and hedge accounting, note 14 Commitments and note 22 Contingent liabilities and commitments.

Other information

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, business risk and operational risk management as well as the ICAAP. All policies are reviewed at least annually.

Roles and responsibilities 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 Management 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.
- The Group Executive Management Credit Committee (GEM CC) and Executive Credit Committee (ECC) are chaired by the CRO, while the Group Credit Committee Retail Banking (GCCR) and the Group Credit Committee Wholesale Banking (GCCW) are chaired by the Chief Credit Officer (CCO). These credit committees decide on major credit risk customer limits.

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 REA (Risk Exposure Amount), 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 2014
Additional and more detailed information on risk and capital management is presented in the Capital and Risk Management Report 2014, 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 and 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.

Forbearance is negotiated terms or restructuring due to borrowers' financial stress. The intention with granting forbearance for a limited period of time is to ensure full repayment of the outstanding debt. Examples of negotiated terms are changes in amortization profile, repayment schedule, customer margin as well as ease of financial covenants. Forbearance is undertaken on a selective and individual basis and followed by impairment testing. Loan loss provisions are taken if necessary. Forborne customers without impairment charges are fully covered by either collateral and/or the net present value of future cash flows.

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.

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 decreased by 1.4% to NOK 114.9bn during 2014 (NOK 116.5bn). 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 129.9bn (NOK 128.8bn).

Lending to credit institutions amounted to NOK 144.5m at the end of the year (NOK 73.9m), 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.

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 49.7m in 2013 to NOK 54.5m in 2014, corresponding to 5 basis points of total loans. 1% (8%) of impaired loans gross are performing loans and 99% (92%) are non-performing loans. Impaired loans net, after allowances for individually assessed impaired loans amounted to NOK 26.5m (NOK 27.7m), corresponding to 2 basis points of total loans. Allowances for individually assessed loans increased from NOK 22.0m to NOK 28.0m

Allowances for collectively assessed loans increased from NOK 17.5m to NOK 18.1m.

The volume of past due loans to household customers decreased to NOK 1,715m (NOK 2,050m) in 2014. Nordea Eiendomskreditt has not taken over any properties for protection of claims due to default.

Loan losses amounted to NOK 14.1m in 2014 (NOK 9.9m in 2013). This corresponds to a loan loss ratio of 1 basis point.

Counterparty credit risk

Counterparty credit risk is the risk that Nordea Eiendomskreditt's counterpart in an interest or currency derivative contract defaults prior to maturity of the contract and that Nordea Eiendomskreditt at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions. The exposure at the end of 2014 for Nordea Eiendomskreditt was NOK 5,351m (NOK 2,923m), of which the current exposure net (after close-out and collateral reduction) represents NOK 4,370m (NOK 2,117m). 100% of the exposure and 100% of the current exposure net was towards financial institutions.

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 2014, Nordea Eiendomskreditt's interest rate sensitivity was NOK -14m calculated in relation to a parallel shift in the yield curve of 1 percentage point. This implies that Nordea Eiendomskreditt AS would gain NOK 14m in the event of a decrease 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 2013 was NOK -38m.

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 legal risk and compliance risk, which is the risk of business not being conducted according to legal and regulatory requirements, market standards and business ethics, thereby jeopardizing customer's best interest and other stakeholders trust and increasing the risk for regulatory sanctions. Operational risk is inherent in all activities within the organisation, in outsourced activities and in all interactions with external parties.

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 Corporate Centre 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.

Cash flow analysis

NOKm	On demand	0–3 months	3–12 months	1–5 years	>5 years	**Total**
Interest bearing financial assets	198	2,150	6,180	39,159	107,327	**155,013**
Non interest bearing assets					5,036	**5,036**
Total assets	**198**	**2,150**	**6,180**	**39,159**	**112,363**	**160,049**
Interest bearing financial liabilities	0	27,502	8,491	64,495	16,208	**116,696**
Non interest bearing liabilities and equity					12,243	**12,243**
Total liabilities and equity	**0**	**27,502**	**8,491**	**64,495**	**28,451**	**128,939**
Derivatives, cash inflow	0	242	14,339	10,036	1,482	**26,100**
Derivatives, cash outflow	0	427	12,971	8,529	706	**22,634**
Net exposure	**0**	**–185**	**1,368**	**1,508**	**775**	**3,466**
Exposure	**198**	**–25,536**	**–943**	**–23,829**	**84,687**	**34,576**
Cumulative exposure	**198**	**–25,338**	**–26,281**	**–50,111**	**34,576**	

The table is based on contractual maturities for on balance sheet 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 14,737m, which could be drawn on at any time.

During 2011 Survival horizon metric was introduced. In alignment with Basel, the Board of Directors has set a limit for a minimum survival of 30 days. The structural liquidity risk of Nordea is measured and limited by the Board of Directors through the Net Balance of Stable Funding (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 assets, liabilities and risk. The goal is to enhance returns to shareholders while maintaining a prudent capital structure.

Minimum capital requirements

Risk exposure amount (REA), previously referred to as risk-weighted assets or RWA, is calculated in accordance with the adjusted Norwegian rules for calculating capital requirements. Nordea Eiendomskreditt had 96% of the exposure covered by internal rating based (IRB) approaches by the end of 2014. For operational risk the standardised approach is applied.

Internal capital requirement

Nordea bases its internal capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) on risks defined by CRD IV/CRR 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, interest rate risk in the banking book 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 of the institution. However, regulatory buffers are introduced with the implementation of new CRD IV/CRR rules. 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.

Own funds

Own funds are the sum tier 1 and tier 2 capital. Tier 1 capital consists of both common equity tier 1 (CET1) and additional tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbance characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend. Due to the implementation of new rules for calculating capital adequacy, deductions that according to previous rules were made 50 % from tier 1 and 50 % from tier 2 are now fully deducted from common equity tier 1. Also the treatment of investments in financial sector entities and deferred tax assets that rely on future profitability and arise from temporary differences was changed, and they are now risk weighted instead of deducted from tier 1 and tier 2.

Additional tier 1 and tier 2 capital consist mostly of undated and dated subordinated loans, respectively. Holdings of other financial sector entities' subordinated loans are deducted from the corresponding tier.

Summary of items included in own funds

NOKm	31 Dec 2014 [2]	31 Dec 2013 [2]
Calculation of own funds		
Equity	9,514	8,026
Proposed/actual dividend	0	0
Common Equity Tier 1 capital before regulatory adjustments (CET)	**9,514**	**8,026**
IRB-provisions excess (+)/shortfall (-) [1]	-69	-28
Other items, net	-99	33
Total regulatory adjustments to Common Equity Tier 1 capital	**-168**	**6**
Common Equity Tier 1 capital (net after deduction)	**9,346**	**8,032**
Additional Tier 1 capital	0	0
Tier 1 capital (net after deduction)	**9,346**	**8,032**
Tier 2 instruments	780	780
IRB-provisions excess (+)/shortfall (-) [1]	0	-28
Total regulatory adjustments to Tier 2 capital	**0**	**-28**
Tier 2 capital	**780**	**752**
Own funds (net after deduction)	**10,126**	**8,785**

[1] Shortfall is now deducted 100% CET1, previously 50% T1, 50% T2

[2] Including profit

Capital Adequacy

The net own funds of Nordea Eiendomskreditt amounted to NOK 10,126 m at the end of 2014, calculated in accordance with the new rules for calculating capital adequacy. NOK 780m hereof is subordinated loan.

The Tier 1 capital ratio at the close of 2014 including the Basel I floor was 17.9% (15.1%), and the total capital ratio including Basel I floor was 19.4% (16.5%). The total capital ratio requirement including Basel I floor is 13.5%, comprising of a minimum total capital ratio of 8.0% and capital buffers of 5.5%.

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 Capital Requirement Directive IV (CRD IV) and Capital Requirement Regulation (CRR) entered into force from 1 January 2014. The CRR became applicable in all EU countries from 1 January 2014 while the CRD IV was implemented through national law within all EU member states during 2014, through national processes.

In Norway, the CRD IV/CRR is not yet incorporated in the EEA agreement. New and national regulations that resemble the CRD IV/CRR rules have been continuously introduced since 1 July 2013, however, several detailed rules remains to be implemented, of which the capital requirement to the SME segment is one. Further national adjustments and new rules are expected during 2015 in connection to liquidity requirements, leverage ratio and Pillar II requirements.

Norwegian financial institutions must have a CET1 capital ratio of at least 4.5%, a Tier 1 ratio of at least 6% and a total capital ratio of 8%. In addition, a capital conservation buffer of at least 2.5% CET1 and a systemic risk buffer of 2% CET1 apply. The systemic risk buffer was increased from 2% to 3% from 1 July 2014. The quarterly assessed level of the countercyclical capital buffer, currently set to 1%, applies to all institutions from 30 June 2015.
In October 2013, stricter risk weights was adopted for residential mortgages for Norwegian regulated IRB banks, through an increased LGD floor from 10% to 20%, In July 2014, the Financial Supervisory Authority issued a new guideline regarding supervisory practices introducing additional national adjustments to PD and LGD to the IRB models to mortgages in Norway, with effect from first quarter 2015.

Updates on Basel III and the CRD IV/CRR

On 22 December 2014, the Basel Committee on Banking Supervision (BCBS) published a consultation on the design of a permanent floor, replacing the current Basel I (transitional) floor. The proposal is that the floor shall be based on the revised standardised approaches for credit-, market- and operational risks that is currently, or has recently been, on consultation. The intention from the BCBS is to finalise the work by end 2015.

The CRR introduced a non-risk based measure, the leverage ratio, in order to limit an excessive build-up of leverage on credit institutions' balance sheets. The impact of the ratio is being monitored by the supervisory authorities with an aim to migrate to a binding measure in 2018. The leverage ratio will be calculated as the tier 1 capital divided by the exposure (on balance and off balance sheet exposures, with adjustments for certain items such as derivatives and securities financing transactions). On 17 January 2015, a revised version of the calculation of the leverage ratio was published in the Official Journal, entering into force the day after.

The CRD IV/CRR also introduces two new quantitative liquidity standards; liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR requires that a financial institution holds 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. The EU Commission has published a delegated act on LCR specifying details for calculations of inflows and outflows. The detailed LCR rules will enter into force on 1 October 2015 with phase-in of 60% in 2015, 70% in 2016, 80% in 2017 and 100% in 2018. NSFR requires that a financial institution shall ensure that long term obligations are adequately met with a diversity of stable funding instruments under both normal and stressed conditions. BCBS published a final recommendation on NSFR in October 2014 with the intention to introduce NSFR as a minimum standard in 2018. Within the EU, the EU Commission is expected to present a proposal by late 2016, if it is deemed appropriate.

Accounting
Nordea's accounting policies, which follow IFRS, are under change. Nordea's assessment is that the most important changes are related to Financial Instruments (IFRS 9) although other changes might also have an impact on Nordea. IFRS 9 will become mandatory from 2018 if endorsed in the EU.

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 in Nordea Eiendomskreditt are carried out in accordance with Nordea Group Principles and are included in Nordea's planning and resource allocation processes. Internal control and risk management regarding financial reporting in Nordea can be described in accordance with the original COSO Framework (Internal Control - Integrated framework, by the Committee of Sponsoring Organizations of the Treadway commission) as follows below.

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 and the organization are 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 and Group Functions, the second line being the centralised risk group functions, which define a common set of standards, and the third line being the internal audit function. The second line of defence function, Accounting Key Controls (AKC), implements a Nordea Group-wide system of key controls to ensure that controls essential for the financial reporting are continuously identified, monitored and assessed.

Risk assessment
The Board of Directors in the Nordea Group bears the ultimate responsibility for limiting and monitoring the Nordea'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. Performing risk assessments close to the business increases the possibility of identifying the most relevant risks. In order to govern the quality of the risk assessment process, governing documents from central functions stipulate 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 and Control 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 supported by the Group Accounting Manual (GAM), the Financial Control Principles and various governing bodies, such as 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 include the 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 a detailed analysis of the financial outcome is performed, constitutes one of the most important control mechanisms associated with the reporting process. Reconciliations constitute another set of important controls, whereby Nordea works continuously to further strengthen the quality of these controls.

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 & Reporting provide sessions for accountants and controllers in order to inform about existing and updated rules and regulations affecting Nordea. Matters that impact the fulfilment of financial reporting objectives are communicated with outside parties, with Nordea actively participating in relevant national forums, including 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. This interactive process aims to cover all components in the original COSO Framework.

The Board of Directors, the Board Audit Committee, the Board Risk Committee and Group Internal Audit have important roles in monitoringing the internal control over financial reporting in Nordea.

According to Norwegian law, Nordea is required to have an external auditor. At the Annual General Meeting 2014 KPMG was re-elected as auditor for the time period up to end of the Annual General Meeting 2015. 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 2014.

Personnel and working environment
At the end of 2014 Nordea Eiendomskreditt AS had 2 (2) employees. Staffing was equivalent to 1.7 (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 one woman and four 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 2014 amounted to 2.62% (1.92%). A total of 10 (7) working days were lost to sickness in 2014. 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.

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 (CSR) and environmental concerns
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.

Commitments and policies
Nordea's core CSR policies are found in Code of Conduct and the Nordea Sustainibility Policy. The Code of Conduct is based on the ten principles of the United Nation's Global Compact, while the Nordea Sustainability Policy spells out the Nordea Group's values and commitments to ethical business. These are supported by specific policies to ensure compliance in everyday business. Examples are the human resources policies, the anti-corruption policies, and several investment and credit policies.

Nordea's Operational Risk and Compliance Awareness Programme assures that our employees are fully aware of our policies and commitments. The programme includes two e-learning modules per year, focusing on operational and compliance risks and related responsibilities in our daily work. Our Anti-Money Laundering (AML) unit gives hands-on support specifically concerning AML-related matters. We have a strong network of compliance officers to support customer-facing employees.

Protecting human rights
We have a responsibility to ensure our business activities do not negatively impact human rights, and to address any negative impact that may occur. We aim to mitigate the risk of any human rights violations connected to our lending and investment practices, as well as our human resources and supply chain policies and practices.
Nordea's People Policy lays out our responsibility for ensuring that employees are fairly treated and given equal development opportunities. Our workplaces support diversity, where differences are both respected and appreciated. We seek to provide a safe, healthy and productive environment.

Environmental impact
Group Executive Management in Nordea has set long term environmental targets to reduce our emissions, with a particular focus on energy and air travel. Nordea Eiendomskreditt's direct impact on the external environment is limited to its use of material and energy, as well as 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.

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 2015
In 2015 we expect another year with a low growth rate and a low interest rate level. Covered bonds have obtained a strong position in the Norwegian market, and Nordea Eiendomskreditt envisions a continued good issuance rate in 2015, and thereby contribute to favourable funding for the Nordea Group. Housing prices increased by 8% in 2014, and the growth is expected to continue in 2015.

Nordea Eiendomskreditt AS
Oslo, 5 February 2015

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

Alex Madsen
Member of the Board

Marianne Glatved
Managing director

Financial statements - contents

Notes to the financial statements

Income statement

NOKt	Note	2014	2013
Interest and related income on loans and deposits with financial institutions	21	4 452	8 823
Interest and related income on loans to customers		4 344 016	4 576 694
Other interest and related income		78	3 196
Total interest and related income		**4 348 546**	**4 588 713**
Interest and related expense on liabilities to financial institutions	21	269 157	442 574
Interest and related expense on securities issued	21	2 164 479	2 106 666
Interest and related expense on subordinated loan capital		42 207	42 828
Other interest and related expense		−186 173	−62 537
Total interest and related expense		**2 289 670**	**2 529 532**
Net interest income		**2 058 876**	**2 059 181**
Fee and commission income		51 583	54 284
Fee and commission expense	21	4 383	4 013
Net fee and commission income		**47 201**	**50 272**
Net result from items at fair value	3, 21	**−23 246**	**23 847**
Total operating income		**2 082 830**	**2 133 299**
Staff costs	4, 12	2 463	2 166
Other expenses	5, 21	155 245	152 617
Total operating expenses		**157 709**	**154 783**
Profit before loan losses		**1 925 122**	**1 978 517**
Loan losses	6	14 135	9 945
Operating profit		**1 910 987**	**1 968 571**
Income tax expense	7	552 627	545 132
Net profit for the year		**1 358 360**	**1 423 439**
Attributable to:			
Shareholders of Nordea Eiendomskreditt AS		1 358 360	1 423 439
Total allocation		**1 358 360**	**1 423 439**
Earnings per share, NOK		88,57	92,82

Statement of comprehensive income

NOKt	2014	2013
Net profit for the year	**1,358,360**	**1,423,439**
Items that may be reclassified subsequently to the income statement		
Cash Flow hedges:		
Valuation gains/losses during the year	181,440	-45,874
Tax on valuation gains/losses during the year	-48,989	12,386
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of defined benefit plans	-4,006	912
Tax on remeasurement of defined benefit plans	1,082	-240
Other comprehensive income, net of tax	**129,526**	**-32,816**
Total comprehensive income	**1,487,886**	**1,390,623**
Attributable to:		
Shareholders of Nordea Eiendomskreditt AS	1,487,886	1,390,623
Total allocation	**1,487,886**	**1,390,623**

Nordea Eiendomskreditt AS
Oslo, 5 February 2015

Jon Brenden
Chairman of the Board

Børre Gundersen
Member of the Board

Ola Littorin
Member of the Board

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Member of the Board

Alex Madsen
Member of the Board

Marianne Glatved
Managing director

Balance sheet

NOKt	Note	31 Dec 2014	31 Dec 2013
Assets			
Loans to credit institutions	13, 21	144,486	73,918
Loans to the public	6, 8	114,884,186	116,502,158
Derivatives	9, 18, 21	4,733,675	2,519,727
Fair value changes of the hedged items in portfolio hedge of interest rate risk	10	117,269	87,976
Other assets		282	819
Accrued income and prepaid expenses		184,858	207,423
Total assets		**120,064,755**	**119,392,021**
Liabilities			
Deposits by credit institutions [1]	11, 21	17,053,883	20,501,450
Debt securities in issue [1]	11, 13, 21	89,981,881	87,829,874
Derivatives	9, 18, 21	363,824	402,230
Fair value changes of the hedged items in portfolio hedge of interest rate risk	10	1,710,363	805,131
Deferred tax liabilities	7	138,047	70,849
Current tax liabilities	7	508,350	526,881
Other liabilities		1,911	576
Accrued expenses and prepaid income	21	2,374	446,845
Retirement benefit obligations	12	5,886	1,702
Subordinated loan capital [1]	11	783,868	780,000
Total liabilities		**110,550,387**	**111,365,539**
Equity			
Share capital	21	1,686,990	1,686,990
Share premium		1,446,637	1,446,637
Other reserves		97,127	-32,400
Retained earnings		6,283,615	4,925,255
Total equity		**9,514,368**	**8,026,482**
Total liabilities and equity		**120,064,755**	**119,392,021**
Note 16, 17, 19, 20			
Assets pledged as security for own liabilities	13	103,284,334	107,742,237
Contingent liabilities	14, 22	1,390	2,255
Commitments	14	14,737,493	12,088,718

[1] Accrued interests are from 2014 classified together with underlying balance sheet item. Figures for 2013 have not been restated, due to immateriality.

Statement of changes in equity

NOKt	Share capital [1)]	Share premium	Other reserves: Cash flow hedges	Other reserves: Defined benefit plans	Retained earnings	Total equity
Balance at 1 Jan 2014	**1 686 990**	**1 446 637**	**–33 488**	**1 088**	**4 925 255**	**8 026 482**
Net profit for the year					1 358 360	1 358 360
Items that may be reclassified subsequently to the income statement						
Cash Flow hedges:						
Valuation gains/losses during the year			181 440			181 440
Tax on valuation gains/losses during the year			–48 989			–48 989
Items that may not be reclassified subsequently to the income statement						
Defined benefit plans:						
Remeasurement of defined benefit plans				–4 006		–4 006
Tax on remeasurement of defined benefit plans				1 082		1 082
Other comprehensive income, net of tax	0	0	132 451	–2 925	0	129 526
Total comprehensive income	0	0	132 451	–2 925	1 358 360	1 487 886
Contributions and distributions						
Group contribution paid					–486 000	–486 000
Group contribution received					486 000	486 000
Balance at 31 Dec 2014	**1 686 990**	**1 446 637**	**98 963**	**–1 836**	**6 283 615**	**9 514 368**

NOKt	Share capital [1)]	Share premium	Other reserves: Cash flow hedges	Other reserves: Defined benefit plans	Retained earnings	Total equity
Balance at 1 Jan 2013	**1 686 990**	**1 446 637**	**0**	**416**	**3 501 832**	**6 635 875**
Net profit for the year					1 423 423	1 423 423
Items that may be reclassified subsequently to the income statement						
Cash Flow hedges:						
Valuation gains/losses during the year			–45 874			–45 874
Tax on valuation gains/losses during the year			12 386			12 386
Items that may not be reclassified subsequently to the income statement						
Defined benefit plans:						
Remeasurement of defined benefit plans				912		912
Tax on remeasurement of defined benefit plans				–240		–240
Other comprehensive income, net of tax	0	0	–33 488	672	0	–32 816
Total comprehensive income	0	0	–33 488	672	1 423 423	1 390 607
Contributions and distributions						
Group contribution paid						
Group contribution received						
Balance at 31 Dec 2013	**1 686 990**	**1 446 637**	**–33 488**	**1 088**	**4 925 255**	**8 026 482**

[1] The company's share capital at 31 December 2014 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.

Cash flow statement

NOKt	2014	2013
Operating activities		
Operating profit before tax	1,910,987	1,968,571
Adjustments for items not included in cash flow	-4,006	-61
Change in write-downs to provide for loan losses	6,544	6,133
Income taxes paid	-362 868	-287,125
Cash flow from operating activities before changes in operating assets and liabilities	**1 550 657**	**1,687,519**
Changes in operating assets		
Change in loans to the public	1,611,430	-2,735,960
Change in derivatives, net	-2,252,355	-1,489,484
Change in other assets	-6,192	246,778
Changes in operating liabilities		
Change in deposits by credit institutions	-3,448,268	-1,399,220
Change in debt securities in issue	1,695,146	4,037,097
Change in other liabilities	1,109,149	-356,281
Cash flow from operating activities	**259 567**	**-9,550**
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 paid	-675,000	0
Group contribution received	486,000	0
Change in subordinated loan capital	0	0
Increase in share capital and share premium	0	0
Cash flow from financing activities	**-189 000**	**0**
Cash flow for the year	**70,567**	**-9,550**
Cash and cash equivalents at 1 January	73,918	83,468
Cash and cash equivalents at 31 December	144,486	73,918
Change	**70,567**	**-9,550**

Comments on the cash flow statement

The cash flow statement has been prepared in accordance with IAS 7. The cash flow statement shows inflows and outflows of cash and cash equivalents during the year. Nordea Eiendomskreditt's cash flow has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as loan losses. The cash flows are classified by 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. 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 in issue. Changes in derivatives are reported net.

Financing activities are activities that result in changes in equity and subordinated liabilities, such as new issues of shares, group contribution paid or received and issued/amortised subordinated loabilities**.**

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 are prepared in accordance with International Financial Reporting Standards (IFRS) 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 2015 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 5th March 2015.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2013 Annual Report.

3. Changes in IFRSs not yet applied by Nordea Eiendomskreditt

IFRS 9 "Financial instruments"

IASB has during 2014 completed the new standard for financial instruments, IFRS 9 "Financial instruments". IFRS 9 covers classification and measurement, impairment and general hedging and replaces the current requirements for these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. Earlier application is permitted. The EU commission has not yet endorsed IFRS 9 and there is currently no official timetable for this process. Nordea Eiendomskreditt does not currently intend to early adopt the standard.

The changes in classification and measurement are not expected to have a significant impact on Nordea Eiendomskreditt's income statement or 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 in the period of initial application, but this is naturally dependent on the financial instruments on Nordea Eiendomskreditt's balance sheet at transition. Nordea Eiendomskreditt has not yet finalised the impact assessment.

The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. In general, it is expected that the new requirements will increase loan loss provisions, decrease equity and have a negative impact on capital adequacy, but no impact on large exposures, in the period of initial application. Nordea Eiendomskreditt has not yet finalised the impact assessment.

The main change to the general hedging requirements is that the standard aligns hedge accounting more closely with the risk management activities. As Nordea generally uses macro (portfolio) hedge accounting Nordea's assessment is that the new requirements will not have any significant impact on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application. Nordea has not yet finalised the impact assessment.

IFRS 15 "Revenue from Contracts with Customers"

The IASB has published the new standard, IFRS 15 "Revenue from Contracts with Customers". The new standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition standards and interpretations within IFRS, such as IAS

18 “Revenue”. The new standard is effective for annual periods beginning on or after 1 January 2017, with earlier application permitted. The EU-commission is expected to endorse the standard during the second quarter 2015. Nordea does not currently intend to early adopt the standard. The standard does not apply to financial instruments, insurance contracts or lease contracts. Nordea has not finalised the investigation of the impact on the financial statements but the current assessment is that the new standard will not have any significant impact on Nordea’s financial statements, capital adequacy, or large exposures in the period of initial application.

Other changes in IFRS
The IASB has published the following new or amended standards that are assessed to have no impact on Nordea Eiendomskreditt’s financial statement, capital adequacy or large exposures in the period of initial application:

- Amendments to IAS 19: “Defined Benefit Plans: Employee Contributions”
- “Annual Improvements to IFRSs, 2010-2012 Cycle”
- “Annual Improvements to IFRSs, 2011-2013 Cycle”
- “Annual Improvements to IFRSs, 2012-2014 Cycle”

4. Critical judgements and 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:

- the fair value measurement of certain financial instruments (hedging portfolio)
- the impairment testing of loans to the public
- the effectiveness testing of cash flow hedges
- the actuarial calculations of pension liabilities
- the 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 fair value of financial instruments that lack quoted prices or recently observed market prices, there is also a high degree of estimation uncertainty.

This estimation uncertainty is mainly a result of the judgement management exercises when:

- selecting an appropriate discount rate for the instrument, and
- determining expected timing of future cash flows from the instruments.

In all of these instances, decisions are based upon professional judgement in accordance with Nordea’s accounting and valuation policies. In order to ensure proper governance, Nordea has a Group Valuation Committee that on an on-going basis reviews critical judgements that are deemed to have a significant impact on fair value measurements.

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”.

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances on both individually assessed and collectively assessed loans. For more information, see Note 8 Loans and impairment.

The most judgemental area is the calculation of collective impairment allowances. When testing a group of loans collectively for impairment, judgement has to be exercised when identifying 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 Eiendomskreditt’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 matter.

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 main parameters used at year-end are disclosed in Note 12 Retirement benefit obligations, together with a description of the discount rate sensitivity.

Valuation of deferred tax assets
Nordea Eiendomskreditt's accounting policy for the recognition of deferred tax assets is described in section 12 "Taxes" and Note 7 Taxes.

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.

5. Recognition of operating income and impairment

Net interest income
Interest income and 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 includes fees considered to be an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). 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.

Interest income and expenses on derivatives used for hedging are recognised in "Net interest income".

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".

This item also includes 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.

"Net result from items at fair value" also includes losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss. Impairment losses from instruments within other categories are recognised in the item "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 on the balance sheet

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised from the balance sheet on the trade date. Other financial instruments are recognised 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 and GBP in addition to Norwegian kroner. As at 31.12.2014 the exchange rates were 7.4475 and 11.6087 respectively.

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 be designated as the hedging instrument. It also 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

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 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 Eiendomskreditt 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 Eiendomskreditt are cross currency basis swaps and interest rate swaps, which are always held at fair value. The currency component in cross currency basis 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.

The hypothetical derivative method is used when measuring the effectiveness of 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 from the hedged transaction (the currency component).

If the hedge relationship does not fulfil the requirements, hedge accounting is terminated. For fair value hedges the hedging instrument is reclassified to a trading derivative and 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 considered 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. The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.
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 Model Risk Management Committee 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

All financial assets and liabilities are initially measured at fair value. 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 Eiendomskreditt's balance sheet into different categories is presented.

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" on the balance sheet and into the category "Loans and receivables" 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 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, which has 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.

Personal customers are monitored through scoring models. These are based mostly on historical data, as default rates and loss rates given a default, and experienced judgement performed by management. Rating and scoring models are described in more detail in the separate section on Risk, Liquidity and Capital management.

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 (discounted with the original effective interest rate), 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 and the value of the loan and the related allowance for impairment loss are derecognised. 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 forgives 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

The item "Income tax expense" in the income statement comprises current and deferred tax. The 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 tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, 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 probable that future taxable profits will be available against which the temporary differences, tax loss carry forward and unused tax credits can be utilised. 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, determined using the projected unit credit method, the net amount is recognised as a liability ("Retirement benefit obligations"). If not, the net amount is recognised as an asset ("Retirement benefit assets"). Non-funded pension plans are recognised as "Retirement benefit obligations".

Pension costs

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Actuarial calculations including the projected unit credit method 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, remeasurement effects may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The remeasurement effects are recognised immediately in equity through other comprehensive income.

When the calculation results in a benefit the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by the plan and is included in the balance sheet as "Retirement benefit obligations" or "Retirement benefit assets".

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

All transactions with related parties are made on an arm's length basis.

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	2014	2013
Income statement (average)	6 .3069	5 .8802
Balance sheet (at end of period)	7 .4475	6 .0641
GBP 1 = NOK		
Income statement (average)	10 .3748	-
Balance sheet (at end of period)	11 .6087	-

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 only has loans to the household segment, secured by residents and holiday homes in Norway, mainly focused around the larger cities. Nordea Eiendomskreditt is part of the Retail Banking segment of the Nordea Bank Norge group.

Note 3
Net result from items at fair value

NOKt	2014	2013
Shares		
Interest-bearing securities	-11,917	-11,805
Other financial instruments	-11,329	35,652
Foreign exchange gains/losses		
Total	**-23,246**	**23,847**

Net gains/losses for categories of financial instruments

NOKt	2014	2013
Foreign currency derivatives		
Financial instruments held for trading	-35,225	
Financial instruments under hedge accounting	23,896	35,652
- of which net losses on hedged items	-1,072,169	98,372
- of which net gains on hedging instruments	1,096,065	-62,721
Other financial liabilities	-11,917	-11,805
Total	**-23,246**	**23,847**

Note 4
Staff costs

NOKt	2014	2013
Salaries and remunerations	1,783	1,777
Pension costs (note 12)	320	51
Social security contributions	267	263
Allocation to profit-sharing [1]	40	12
Other staff costs	54	63
Total	**2,463**	**2,166**

[1] Allocation to profit-sharing foundation in 2014 consisted of a new allocation of NOK 48t and release of NOK 8t related to prior years. In 2013 new allocation amounted to NOK 28t and release of NOK 16t for prior years.

Number of employees/full time positions

Number of employees at 31 Dec (both women)	2	2
Number of full time equivalents at 31 Dec	1.7	1.6

Note 4
Staff costs cont.

Kjønnsfordeling styret (percentage at year end)		
– Men	80	60
– Women	20	40
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		
Auditor's fee incl. vat	783	1,886
– of which ordinary audit fee	339	694
– of which other services	444	1,192

Explanations of individually specified remuneration in the table below.

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	1,005	90	16	215	1,325
Total for the executive management	**1,005**	**90**	**16**	**215**	**1,325**
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**
Control Committee of Nordea Eiendomskreditt AS					
Anders Ingebrigtsen, chairman	78				78
Thorleif Haug	54				54
Berit Stokke	27				27
Tom Knoff	54				54
Total for the Control Committee of Nordea Eiendomskreditt AS	**213**	**–**	**–**	**–**	**213**
Total remuneration of executive management and elected officers of Nordea Eiendomskreditt AS	**1,358**	**90**	**16**	**215**	**1,678**

No director's fee is paid to directors who are employees of the Nordea group. Berit Stokke ended her assignment in the Control Committee at 1 June 2013. The fees shown in the table are fees paid in 2014 for services provided in 2013.

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

Note 5

Administration expenses and other expenses

NOKt	2014	2013
Services bought from Group companies	151,550	146,886
– hereof related to administration of the lending portfolio	142,872	138,636
– hereof related to treasury services	6,612	6,915
– hereof related to accounting and reporting services	774	1,260
– hereof other costs	1,292	75
Consulting	2,691	3,630
Auditors' fee	339	694
Other operating expenses	666	1,407
Total	**155,245**	**152,617**

Note 6

Loan losses

NOKt	2014	2013
Specification of changes in loan losses		
Change in allowances for individually assessed loans	5,992	390
Change in allowances for collectively assessed loans	551	5,744
Realised loan losses in the period	7,592	3,812
Recoveries of loan losses realised previous years	0	-1
Total loan losses for the year	**14,135**	**9,945**
Specification of allowances for individually assessed loans [1]		
Opening balance at 1 January	22,023	21,634
Increased and new allowances this year	14,144	8,049
Allowances used to cover write-offs	-6,171	-2,819
Reversals of allowances made in previous years	-1,980	-4,840
Closing balance at 31 December	**28,016**	**22,023**

[1] Included in Note 8 Loans and impairment.

Key ratios	2014	2013
Loan loss ratio [2]	0.01%	0.01%
– of which individual	0.01%	0.00%
– of which collective	0.00%	0.00%

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

Note 7
Taxes

Income tax expense

NOKt	2014	2013
Current tax [1]	497,113	523,903
Deferred tax	55,515	21,230
Total	**552,627**	**545,132**
[1] of which relating to prior years	-11,238	-2,979

Current and deferred tax recognised in Other comprehensive income		
Deferred tax on remeasurements of pension obligations DBP	1,082	-240
Deferred tax relating to cash flow hedges	-48,989	12,386
Total	**-47,907**	**12,146**

Tax on the company's operating profit differs from the theoretical amount that would arise using the tax rate in Norway, as follows:

NOKt	2014	2013
Profit before tax	1,910,987	1,968,571
Tax calculated at a tax rate of 27% / 28%	515,967	551,200
Non-deductable expenses	49,005	0
Tax exempt income	-1,107	-6
Change of tax rate [1]	0	-3,083
Adjustments related to prior years	-11,238	-2,979
Total tax charge	**552,627**	**545,132**
Average effective tax rate	28.9 %	27.7 %

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

Deferred tax

NOKt	2014	2013
Deferred tax expense (-) / income (+)		
Deferred tax due to temporary differences	-55,515	-21,230
Income tax expense, net	**-55,515**	**-21,230**

	Deferred tax assets		Deferred tax liabilities	
NOKt	2014	2013	2014	2013
Deferred tax assets/liabilities related to:				
Financial instruments and derivatives			-139,812	-70,513
Retirement benefit obligations	2,415	475		
Other			-650	-812
Netting between dererred tax assets and liabilities	-2,415	-475	2,415	475
Total deferred tax assets/liabilities	**0**	**0**	**-138,047**	**-70,849**

Movements in deferred tax assets/liabilities net, are as follows:	2014	2013
Balance at 1 January	70,849	61,750
Deferred tax relating to items recognised in Other comprehensive income	47,907	-12,140
Adjustments relating to prior years	-36,224	10
Deferred tax in the income statement	55,515	21,230
Balance at 31 December	**138,047**	**70,849**

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 138,047 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 31.12.2014.

Note 8
Loans and impairment

NOKt	31 Dec 2014	31 Dec 2013
Loans and receivables, not impaired	114,875,825	116,492,019
Impaired loans and receivables;	54,471	49,707
– Performing	611	3,795
– Non-performing	53,860	45,912
Loans and receivables before allowances	**114,930,296**	**116,541,726**
Allowances for individually assessed impaired loans;	-28,016	-22,023
– Performing	-3,067	-1,494
– Non-performing	-24,949	-20,529
Allowances for collectively assessed impaired loans	-18,095	-17,544
Allowances	**-46,111**	**-39,567**
Loans and receivables. book value	**114,884,186**	**116,502,159**

Reconciliation of allowance accounts for impaired loans[1]

NOKt	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2014	**22,023**	**17,544**	**39 567**
Provisions	14,144	3,275	17 419
Reversals	-1,980	-2,724	-4 704
Changes through the income statement	**12,164**	**551**	**12 715**
Allowances used to cover write-offs	-6,171	0	-6 171
Closing balance at 31 Dec 2014	**28,016**	**18,095**	**46 111**

NOKt	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**	**39 568**

[1] See Note 6 Loan losses

Key ratios

	31 Dec 2014	31 Dec 2013
Impairment rate, gross[2], in %	0.05	0.04
Impairment rate, net[3], in %	0.02	0.02
Total allowance rate[4], in %	0.04	0.03
Allowance rate, impaired loans[5], in %	51.43	44.34
Total allowances in relation to impaired loans, in %	84.65	79.55
Non-performing loans, not impaired[6], in NOK 1000	254 981	230 467

[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 2014, NOKt	Fair value Positive	Fair value Negative	Total nominal amount
Derivatives held for trading[2]			
Interest rate derivatives			
Interest rate swaps		85,590	35,000,000
Total derivatives held for trading	**0**	**85,590**	**35,000,000**
Derivatives used for hedge accounting			
Interest rate derivatives			
Interest rate swaps	2,190,476	278,234	30,356,492
Total	**2,190,476**	**278,234**	**30,356,492**
Foreign exchange derivatives			
Currency and interest rate swaps	2,543,198	0	10,737,420
Total	**2,543,198**	**0**	**10,737,420**
Total derivatives used for hedge accounting	**4,733,674**	**278,234**	**41,093,912**
– of which fair value hedges [1]	2,130,637	127,614	30,356,492
– of which cash flow hedges [1]	2,603,038	150,620	28,987,420
Total derivatives	**4,733,674**	**363,824**	**76,093,912**

[1] Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedge and cash flow hedge and the nominal amounts are then reported in both lines.

[2] No assets or liabilities were classified as held for trading other than derivatives held for economic hedging in accordance with IAS 39.

31 Dec 2013, NOKt	Fair value Positive	Fair value Negative	Total nominal amount
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps			
Total derivatives held for trading	**0**	**0**	**0**
Derivatives used for hedge accounting			
Interest rate derivatives			
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 used for hedge accounting	**2,519,728**	**402,230**	**74,279,500**
– of which fair value hedges [1]	768,159	-44,136	56,087,200
– of which cash flow hedges [1]	1,751,569	446,366	27,562,300
Total derivatives	**2,519,728**	**402,230**	**74,279,500**

[1] Some cross currency interest rate swaps and interest rate swaps are used both as fair value hedge and cash flow hedge and the nominal amounts are then reported in both lines.

Note 10

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

Assets

NOKt	**2014**	**2013**
Booked unrealised gain/loss at beginning of the year	87,976	353,186
Revaluation of hedged items during the year	29,293	-265,210
Booked unrealised gain/loss at end of the year	**117,269**	**87,976**
Whereof expected maturity later than 1 year	112,787	78,852

Liabilities

NOKt	**2014**	**2013**
Booked unrealised gain/loss at beginning of the year	805,131	1,121,077
Revaluation of hedged items during the year	905,232	-315,946
Booked unrealised gain/loss at end of the year	**1,710,363**	**805,131**
Whereof expected maturity later than 1 year	1,708,822	787,432

The carrying amount at end of year represents accumulated changes in the fair value for those repricing time periods in which the hedged item is an asset, or respectively, a liability. When the hedged item is an asset, the change in the fair value of the hedged item is presented within assets and when the hedged item is a liability, the change is presented as a liability.

Note 11

Debt securities in issue and loans from financial institutions

NOKt	**31 Dec 2014**	**31 Dec 2013**
Loans and deposits from financial institutions for a fixed term	17,050,000	20,500,000
Bond loans issued in Norwegian kroner	127,950,000	113,650,000
Holdings of own bonds in Norwegian kroner	-51,767,000	-43,876,000
Bond loans issued in USD (in NOK)	7,447,490	18,192,299
Bond loans issued in GBP (in NOK)	5,804,340	0
Subordinated loan	780,000	780,000
Total nominal value	**107,264,830**	**109,246,299**
Maturity information		
Maximum 1 year	33,807,000	34,153,200
More than 1 year	73,457,830	75,093,099
Total	**107,264,830**	**109,246,299**

Note 12

Retirement benefit obligations

NOKt	**31 Dec 2014**	**31 Dec 2013**
Defined benefit plans, net	5,884	1,700
Total	**5,884**	**1,700**

Note 12

Retirement benefit obligations cont.

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 (pension fund), which is managed by Gabler AS, and are final salary and service based pension plans providing pension benefits on top of the statutory systems. 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 plan (DBP) is closed for new employees as from 2011, and pensions for new employees are instead based on defined contribution plan (DCP) arrangements. The DCP arrangements are administered by Nordea Liv. 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 actuaries and are based on different actuarial assumptions.

Assumptions[1]	2014	2013
Discount rate[2]	2.50%	4.00%
Salary increase	3.00%	3.00%
Inflation	1.75%	2.00%
Increase in income base amount	3.00%	4.00%
Expected return on assets before taxes	2.50%	4.00%
Expected adjustments of current pensions	2.00%	2.50%

[1] The assumptions disclosed for 2014 have an impact on the liability calculation by year-end 2014, while the assumptions disclosed for 2013 are used for calculating the pension expense in 2014.

[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.

Sensitivities – Impact on Pension Benefit Obligation (PBO) %	2014
Discount rate – Increase 50bps	-9.6%
Discount rate – Decrease 50bps	11.1%
Salary increase – Increase 50bps	9.5%
Salary increase – Decrease 50bps	-9.1%
Inflation – Increase 50bps	7.1%
Inflation – Decrease 50bps	-6.4%

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 2013 Annual Report there have been no changes in the methods used when preparing the sensitivity analyses.

Net retirement benefit liabilities/assets

NOKt	2014	2013
Obligations	10,281	5,707
Plan assets	4,397	4,007
Net liability (-)/asset (+)	**-5,884**	**-1,700**

Note 12

Retirement benefit obligations cont.

Changes in the obligation

NOKt	2014	2013
Opening balance	5,497	5,154
Current service cost	213	188
Interest cost	220	206
Pensions paid	0	0
Past service cost	0	0
Settlements	0	0
Remeasurement from changes in financial assumptions	0	0
Remeasurement from experience adjustments	3,624	-52
Change in provision for social security contribution [1]	727	210
Closing balance	**10,281**	**5,706**

[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

NOKt	2014	2013
Opening balance	4,007	2,842
Interest income (calculated using the discount rate)	166	118
Pensions paid	0	0
Settlements	0	0
Contributions by employer	110	300
Remeasurement (actual return less interest income)	113	748
Closing balance	**4,397**	**4,008**

Asset composition

The combined return on assets in 2014 was 6.6% (5.4%), mainly driven by return on equity investments and real estate. At the end of the year, the equity exposure in the foundation represented 28% (27%) of total assets.

Asset composition in funded schemes

	2014	2013
Equity	28%	27%
Bonds	56%	57%
Real estate	12%	13%
Other assets	4%	3%

Defined benefit pension costs

The total net pension cost recognised in Nordea Eiendomskreditt's income statement (as staff costs) for 2014 is tnok 320 (tnok 51). The amount covers both funded and unfunded pension plans, as well as AFP premiums.

Recognised in the income statement, NOKt	2014	2013
Current service cost	213	188
Net interest	54	88
Past service cost and settlements	0	0
Recognised past service cost	0	0
Social Security Contribution	38	39
Pension cost on defined benefit plans	**304**	**316**

Recognised in other comprehensive income, NOKt	2014	2013
Remeasurement from changes in financial assumptions	3052	0
Remeasurement from experience adjustments	572	-52
Remeasurement of plan assets (actual return less interest income)	-113	-748
Social security contribution	495	-113
Pension cost on defined benefit plans	**4,006**	**-912**

The pension cost for 2015 is expected to be tnok 566.

Note 13

Assets pledged as security for own liabilities

NOKt	31 Dec 2014	31 Dec 2013
Assets pledged as security for own liabilities:		
Loans to the public	103,284,334	107,742,237
Total	**103,284,334**	**107,742,237**
The above pledges pertain to the following liability and committment items:		
Debt securities in issue	89,525,021	87,829,874
Total	**89,525,021**	**87,829,874**

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

NOKt	31 Dec 2014	31 Dec 2013
Accepted. not disbursed loans (unutilised portion of approved overdraft facilities)	14,737,493	12,088,718
Other commitments, excluding derivatives[1] (note 21)	1,390	2,255
Total	**14,738,883**	**12,090,973**

[1] For further information about derivatives, see Note 9 Derivatives and hedge accounting.

Note 15

Capital adequacy

Summary of items included in own funds

NOKm	**31 Dec[2] 2014**	**31 Dec[2] 2013**
Calculation of own funds		
Equity in the consolidated situation	9 514	8 026
Proposed/actual dividend		
Common Equity Tier 1 capital before regulatory adjustments	9 514	8 026
Deferred tax assets		
Intangible assets		
IRB provisions shortfall (–)[1]	-69	-28
Deduction for investments in credit institutions (50%)		
Pension assets in excess of related liabilities		
Other items, net	-99	33
Total regulatory adjustments to Common Equity Tier 1 capital	-168	6
Common Equity Tier 1 capital (net after deduction)	**9 346**	**8 032**
Additional Tier 1 capital before regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital		
Additional Tier 1 capital		
Tier 1 capital (net after deduction)	**9 346**	**8 032**

Note 15

Capital adequacy cont.

Tier 2 capital before regulatory adjustments	780	780
IRB provisions excess (+)/shortfall (–)[1]		–28
Deduction for investments in credit institutions (50%)		
Deductions for investments in insurance companies		
Pension assets in excess of related liabilities		
Other items, net		
Total regulatory adjustments to Tier 2 capital		–28
Tier 2 capital	780	752
Own funds (net after deduction)	**10 126**	**8 785**

[1] Shortfall is now deducted 100% CET1, previously 50% T1, 50% T2

[2] Including profit

Own Funds excluding profit

NOKm	31 Dec 2014	31 Dec 2013
Common Equity Tier 1 capital, excluding profit	7 988	6 609
Total Own Funds, excluding profit	8 768	7 362

Minimum capital requirement and REA, Risk Exposure Amount

NOKm	31 Dec 2014 Minimum capital requirement	31 Dec 2014 REA	31 Dec 2013 Minimum capital requirement	31 Dec 2013 REA
Credit risk	**1 069**	**13 355**	**786**	**9 822**
– of which counterparty credit risk	86	1 070	47	585
IRB	981	12 256	739	9 237
– of which corporate				
– of which advanced				
– of which foundation				
– of which institutions				
– of which retail	981	12 256	739	9 237
– of which secured by immovable property collateral	902	11 266	653	8 162
– of which other retail	79	990	86	1 075
– of which other	0	0		
Standardised	88	1 099	47	585
– of which central governments or central banks				
– of which regional governments or local authorities				
– of which public sector entities				
– of which multilateral development banks				
– of which international organisations				
– of which institutions	88	1 099	47	585
– of which corporate				
– of which retail				
– of which secured by mortgages on immovable property				
– of which in default				
– of which associated with particularly high risk				
– of which covered bonds				
– of which institutions and corporates with a short-term credit assessment				
– of which collective investments undertakings (CIU)				
– of which equity				
– of which other items				

Note 15

Capital adequacy cont.

Credit Value Adjustment Risk				
Market risk				
– of which trading book, Internal Approach				
– of which trading book, Standardised Approach				
– of which banking book, Standardised Approach				
Operational risk	**168**	**2 101**	**109**	**1 364**
Standardised	168	2 101	109	1 364
Sub total	**1 237**	**15 456**	**895**	**11 186**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	2 946	36 825	3 354	41 924
Total	**4 183**	**52 281**	**4 249**	**53 110**

Minimum Capital Requirement & Capital Buffers

		Capital Buffers					
Percentage	**Minimum Capital requirement**	**CCoB**	**CCyB**	**SII**	**SRB**	**Capital Buffers total**	**Total**
Common Equity Tier 1 capital	4,5 %	2,5 %			3,0 %	5,5 %	**10,0** %
Tier 1 capital	6,0 %	2,5 %			3,0 %	5,5 %	**11,5** %
Own funds	8,0 %	2,5 %			3,0 %	5,5 %	**13,5** %

CCyB will increase to 1 % of CET1 in Q2 2015, and SII will increase to 1 % of CET1 in Q3 2015

NOKm							
Common Equity Tier 1 capital	2 353	1 307				2 875	**5 228**
Tier 1 capital	3 137	1 307				2 875	**6 012**
Own funds	4 182	1 307				2 875	**7 058**

Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	**31 Dec 2014**
Common Equity Tier 1 capital[1]	38,5 %

[1] Including profit of the period

Capital adequacy ratios excluding Basel I floor

Percentage	**31 Dec 2014**	**31 Dec 2013**
Common Equity Tier 1 capital ratio, including profit	60,5 %	71,8 %
Tier 1 capital ratio, including profit	60,5 %	71,8 %
Total Capital ratio, including profit	65,5 %	78,5 %
Common Equity Tier 1 capital ratio, excluding profit	51,7 %	59,1 %
Tier 1 capital ratio, excluding profit	51,7 %	59,1 %
Total Capital ratio, excluding profit	56,7 %	65,8 %

Note 15
Capital adequacy cont.

Capital adequacy ratios including Basel I floor

Percentage	31 Dec 2014	31 Dec 2013
Common Equity Tier 1 capital ratio, including profit	17,9 %	15,1 %
Tier 1 capital ratio, including profit	17,9 %	15,1 %
Total Capital ratio, including profit	19,4 %	16,5 %
Common Equity Tier 1 capital ratio, excluding profit	15,3 %	12,4 %
Tier 1 capital ratio, excluding profit	15,3 %	12,4 %
Total Capital ratio, excluding profit	16,8 %	13,9 %

Leverage ratio	31 Dec 2014
Tier 1 capital, transitional definition, NOKm[1]	9 346
Leverage ratio exposure, NOKm	132 111
Leverage ratio, percentage	7,1

[1] Including profit of the period

Credit risk exposures for which internal models are used, split by rating grade

	On-balance exposure, NOKm	Off-balance exposure, NOKm	Exposure value (EAD), NOKm[1]	of which EAD for off-balance, NOKm	Exposure-weighted average risk weight:
Retail, of which secured by real estate:	110 501	13 121	114 621	4 120	9,8
- of which scoring grades A	87 129	11 913	90 870	3 741	4,6
- of which scoring grades B	12 345	795	12 594	250	11,0
- of which scoring grades C	5 409	212	5 476	66	22,8
- of which scoring grades D	2 980	92	3 009	29	43,0
- of which scoring grades E	1 393	99	1 424	31	69,4
- of which scoring grades F	597	9	600	3	114,7
- of which not scored					
- of which defaulted	647	1	647	0	229,4
Retail, of which other retail:	4 614	1 616	5 122	508	19,3
- of which scoring grades A	3 285	1 434	3 735	450	8,0
- of which scoring grades B	630	120	668	38	17,9
- of which scoring grades C	294	26	302	8	31,3
- of which scoring grades D	177	20	183	6	45,1
- of which scoring grades E	74	14	79	4	51,0
- of which scoring grades F	31	1	31	0	79,2
- of which not scored					
- of which defaulted	124	1	124	0	266,2
Other non credit-obligation assets:	0		0		100,0

Nordea Eiendomskreditt does not have the following IRB exposure classes: equity exposures, items representing securitisation positions, central governments and central banks, qualifying revolving retail

[1]Includes EAD for on-balance, off-balance, derivatives and securities financing

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 2014

NOKt	Loans and receivables	Assets at fair value through profit and loss – Held for trading [1]	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets						
Loans to credit institutions	144,486					144,486
Loans to the public	114,884,186					114,884,186
Derivatives			4,733,675			4,733,675
Fair value changes of the hedged items in portfolio hedge of interest rate risk	117 269					117,269
Other assets					282	282
Prepaid expenses and accrued income	184,858					184,858
Total assets	**115,330,799**	**0**	**4,733,675**	**0**	**282**	**120,064,756**

	Liabilities at fair value through profit and loss – Held for trading	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions			17,053,883		17,053,883
Debt securities in issue			89,981,881		89,981,881
Derivatives	85,590	278,234			363,824
Fair value changes of the hedged items in portfolio hedge of interest rate risk			1,710,363		1,710,363
Current tax liabilities				508,350	508,350
Other liabilities				1,911	1,911
Accrued expenses and prepaid income			1,293	1,081	2,374
Deferred tax				138,047	138,047
Retirement benefit obligations				5,886	5,886
Subordinated loan capital			783,868		783,868
Total liabilities	**85,590**	**278,234**	**109,531,288**	**655,275**	**110,550,387**

[1] No assets or liabilities were classified as held for trading other than derivatives held for economic hedging in accordance with IAS39.

31 Dec 2013

NOKt	Loans and receivables	Assets at fair value through profit and loss – Held for trading	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets						
Loans to credit institutions	73,918					73,918
Loans 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
Other assets					819	819
Prepaid expenses and accrued income	207,423					207,423
Total assets	**116,871,475**	**0**	**2,519,727**	**0**	**819**	**119,392,021**

Note 16

Classification of financial instruments cont.

	Liabilities at fair value through profit and loss - Held for trading	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			444,240	2,605	446,845
Deferred tax				70,849	70,849
Retirement benefit obligations				1,702	1,702
Subordinated loan capital			780,000		780,000
Total liabilities	**0**	**402,230**	**110,360,695**	**602,613**	**111,365,539**

Note 17

Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2014		31 Dec 2013	
NOKt	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	115,145,941	115,145,941	116,664,053	116,664,053
Derivatives	4,733,675	4,733,675	2,519,727	2,519,727
Other financial assets	0	0	0	0
Prepaid expenses and accrued income	184,858	184,858	207,423	207,423
Total financial assets	**120,064,474**	**120,064,474**	**119,391,204**	**119,391,204**
Financial liabilities				
Deposits and debt instruments	109,529,995	110,828,840	109,916,455	111,355,866
Derivatives	363,824	363,824	402,230	402,230
Other financial liabilities	0	0	0	0
Accrued expenses and prepaid income	1,293	1,293	446,845	446,845
Total financial liabilities	**109,895,112**	**111,193,957**	**110,765,531**	**112,204,942**

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".

Note 17
Assets and liabilities at fair value cont.

Assets and liabilities at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2014, NOKt	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		4,733,675		4,733,675
Total	**0**	**4,733,675**	**0**	**4,733,675**
Liabilities at fair value on the balance sheet [1]				
Derivatives		363,824		363,824
Total	**0**	**363,824**	**0**	**363,824**

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

31 Dec 2013, NOKt	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 assets	**0**	**2,519,727**	**0**	**2,519,727**
Liabilities at fair value on the balance sheet [1]				
Derivatives		402,230		402,230
Total liabilities	**0**	**402,230**	**0**	**402,230**

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

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.

Note 17

Assets and liabilities at fair value cont.

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.

Transfers between Level 1 and 2
There has not been any transfers between Level 1 and Level 2 in 2014. When transfers between levels occurs, these are considered to have occurred at the end of the reporting period.

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.

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

31 Dec 2013, NOKt	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet			
Loans	115,145,941	115,145,941	3
Other financial assets	0	0	3
Prepaid expenses and accrued income	184,858	184,858	3
Total assets	**115,330,799**	**115,330,799**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	109,529,995	110,828,840	2
Other financial liabilities	0	0	3
Accrued expenses and prepaid income	1,293	1,293	3
Total liabilities	**109,531,288**	**110,830,133**	

Note 17

Assets and liabilities at fair value cont.

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 2 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

				Amounts not set off but subject to master netting agreements and similar agreements			
31 December 2014, NOKt	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet	Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	4 733 675		4 733 675	-363 824			4 369 851
Reverse repurchase agreements			0				0
Securities borrowing agreements			0				0
Total	**4 733 675**	**0**	**4 733 675**	**-363 824**	**0**	**0**	**4 369 851**

				Amounts not set off but subject to master netting agreements and similar agreements			
31 December 2014, NOKt	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet	Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	363 824		363 824	-363 824			0
Repurchase agreements			0				0
Securities lending agreements			0				0
Total	**363 824**	**0**	**363 824**	**-363 824**	**0**	**0**	**0**

1) All amounts are measured at fair value.

Note 18

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

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.

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 2014				31 December 2013		
NOKt	NOK	USD	GBP	Total	NOK	USD	Total
Assets							
Loans to credit institutions	144 486			144 486	73 918		73 918
Loans to the public	114 884 186			114 884 186	116 502 158		116 502 158
Other assets	4 735 774	238 652	61 657	5 036 084	2 442 679	373 266	2 815 945
Total assets	**119 764 445**	**238 652**	**61 657**	**120 064 756**	**119 018 754**	**373 266**	**119 392 021**
Liabilities and equity							
Deposits by credit institutions	17 053 883			17 053 883	20 501 450		20 501 450
Debt securities in issue	76 749 646	7 435 712	5 796 523	89 981 881	69 657 623	18 172 251	87 829 874
Subordinated liabilities	783 868			783 868	780 000		780 000
Other liabilities and equity	11 925 952	249 570	69 601	12 245 123	9 888 683	392 013	10 280 696
Total liabilities and equity	**106 513 349**	**7 685 282**	**5 866 124**	**120 064 756**	**100 827 756**	**18 564 264**	**119 392 020**
Position not reported in the balance sheet	**-13 251 831**	**7 447 492**	**5 804 339**	**0**	**-18 192 299**	**18 192 299**	**0**
Net position, currencies	**-735**	**862**	**-127**	**0**	**-1 301**	**1 301**	**0**

Note 20

Maturity analysis for assets and liabilities

31 Dec 2014, NOKt

Remaining maturity	Payable on demand	Max 3 months	3–12 months	1–5 years	More than 5 years	Without maturity	Total
Assets							
Loans to credit institutions	144,486						144,486
Loans to the public	198,177	58,969	198,413	1,364,843	113,063,783		114,884,185
Derivatives			4,264	3,123,223	1,606,188		4,733,675
Fair value changes of the hedged items in portfolio hedge of interest rate risk			4,482	8,296	93,974	10,517	117,269
Other assets		184,858				282	185,140
Total assets	**342,663**	**243,827**	**207,159**	**4,496,363**	**114,763,945**	**10,799**	**120,064,755**
Liabilities and equity							
Deposits by credit institutions	3,182	17,050,701					17,053,883
Debt securities in issue		10,000,000	6,757,535	59,218,985	14,005,362		89,981,881
Derivatives		13,904	25,739	291,554	32,628		363,825
Fair value changes of the hedged items in portfolio hedge of interest rate risk			1,541	1,128,477	580,345		1,710,363
Other liabilities		512,635			5,886	138,047	656,568
Subordinated loan capital					783,868		783,868
Equity						9,514,368	9,514,368
Total liabilities and equity	**3,182**	**27,577,240**	**6,784,815**	**60,639,016**	**15,408,088**	**9,652,415**	**120,064,755**
Net total on all items	**339,481**	**–27,333,413**	**–6,577,656**	**–56,142,653**	**99,355,857**	**–9,641,616**	**–0**

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

31 Dec 2013, NOKt

Remaining maturity	Payable on demand	Max 3 months	3–12 months	1–5 years	More than 5 years	Without maturity	Total
Assets							
Loans 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			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							
Deposits by credit institutions	1,449	20,500,000					20,501,449
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 loan capital					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 Directors' Report describes the management of the liquidity risk in more detail.

Note 21

Related-party transactions

NOKt	2014			2013		
	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	4,452			8,395		
Total income	4,452	–	–	8,395	–	–
Interest expenses on liabilities to financial institutions	269,157			442,301		
Interest and related expense on securities issued incl. hedging	82,979			308,182		
Net gains/losses on items at fair value	1,061,649			62,785		
Interest and related expense on subordinated loan capital	42,207			42,828		
Commission and fee expense for banking services	312			2,000		
Other operating expenses	149,743	1,451		147,310	1,955	
Total expenses	1,606,048	1,451	–	1,005,406	1,955	–
Balance sheet						
Loans and receivables to credit institutions	144,486			73,918		
Derivatives	4,733,675			2,519,727		
Total assets	4,878,161	–	–	2,593,645	–	–
Deposits by credit institutions	17,050,000			20,500,000		
Issued bonds	10,000,000		354,057	20,000,000		406,500
Derivatives	363,824			402,230		
Accrued expenses and prepaid income	5,043			5,791		
Subordinated loan capital	780,000			780,000		
Share capital and share premium	3,133,627			3,133,627		
Total libilities and equity	31,332,494	–	354,057	44,821,648	–	406,500
Off balance sheet items						
Interest rate swaps (nominal value)	78,608,323			74,279,499		

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 2014 amounted to NOK 1.4m. 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) 2014, 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 2014	31 Dec 2013
Loans to credit institutions	144	74
Loans to the public incl accrued interest	115,069	116,710
– of which household	115,069	116,710
Total loans and receivables	**115,214**	**116,783**
Off balance credit exposure		
– of which lending to the public	14,737	12,089
– of which derivatives	4,370	2,117
Off balance credit exposure	**19,107**	**14,206**
Total credit exposure	**134,321**	**130,990**

Past due loans

NOKm	31 Dec 2014	31 Dec 2013
6–30 days	1,434	1,677
31–60 days	182	262
61–90 days	61	74
>90 days	38	37
Total	**1,715**	**2,050**

Note 24

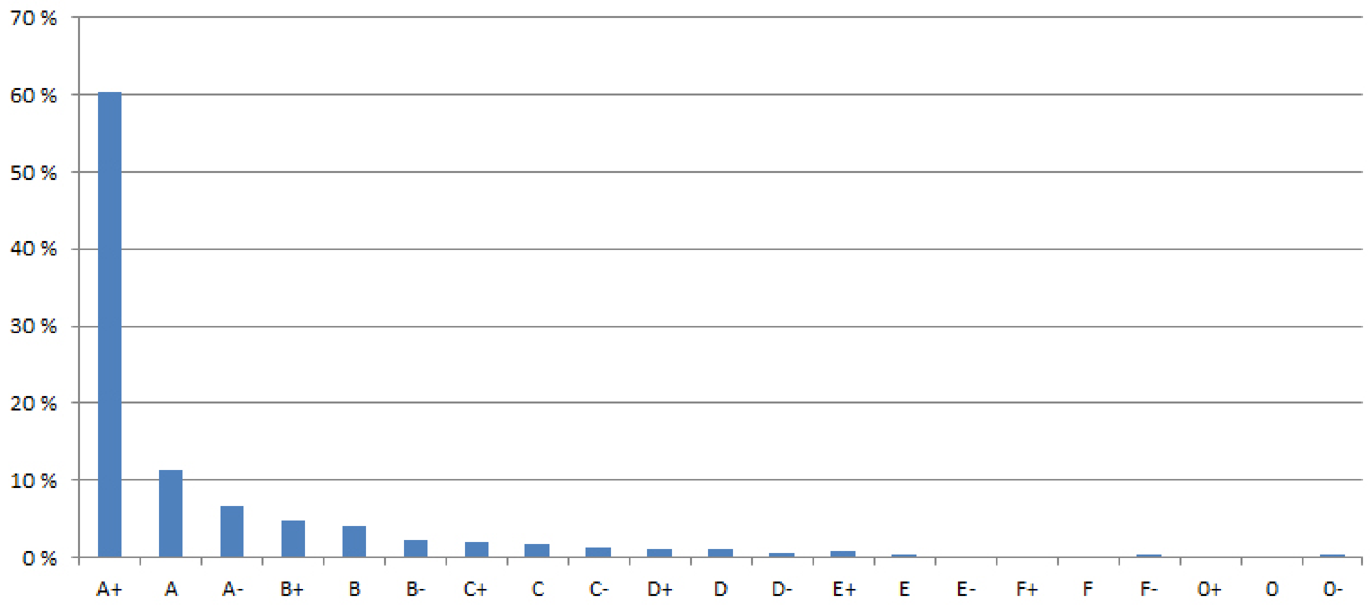
Scoring distribution of the lending portfolio

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 REA (Risk Exposure Amount) 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 2014



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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 as at 31 December 2014, and income statement and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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 2015
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 2014, including comparative figures for 2013 (the "2014 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 2014 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 2014 and as at 31 December 2013.

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 2015

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

Alex Madsen
Member of the Board

Marianne Glatved
Managing director

Report by the Control Committee 2014

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

During 2014 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 2014 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 2014 the Control Committee refers to the auditor's report of 5 February 2015 and supports the views expressed therein concerning the submitted annual accounts.

Oslo, 5 February 2015

Anders Ingebrigtsen (Chairman)	Thorleif Haug (Deputy Chairman)	Janicke L. Rasmussen (Member)	Tom Knoff (Deputy Member)

Governing bodies 31 December 2014

Board of Directors

Members	Title	Board member since
Jon Brenden, Chairman	Deputy Head of Corporate Central area, Nordea Bank Norge ASA	2010
Børre Gundersen	Head of Household Strategy & 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
Alex Madsen	Partner, Sjølyst Regnskap ANS	2014

Control Committee

Members	Title
Anders Ingebrigtsen, Chairman	Managing Director, Koenig AS, Oslo
Thorleif Haug, Deputy chairman	Consultant, Oslo
Janicke L. Rasmussen	Dean Master, Associate Professor, BI Norwegian Business School
Tom Knoff, Deputy member	Consultant, Kolbotn

Committee of Representatives

Members	Title
Anne Stärk-Johansen, Chairman	Retail Operations, Nordea Bank Norge ASA
Jon Kristian Abel, Deputy chairman	Head of Area Stor-Oslo Corporate, Nordea Bank Norge ASA
Brynjolv Anke	Deputy Head of Corporate Coastal area, Nordea Bank Norge ASA
Toril Bjørnstad Hanstad	Head of Credit Central Area 2, Nordea Bank Norge ASA
Mathias Martinsen	Management partner in Wholesale Banking, Nordea Bank Norge ASA
Ingunn Andersen Randa	Corporate Strategy & Development, Nordea Bank Norge ASA

Auditor

KPMG
Anfinn Fardal (State Authorized Public Accountant)
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