

Interim Report 1st quarter 2014

Nordea Eiendoms kreditt AS

Nordea Eiendoms kreditt AS is part of the Nordea group. Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. 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 800 branch office locations and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.

Key financial figures

Summary of income statement (NOK mill.)

	Jan-Mar 2014	Jan-Mar 2013	Year 2013
Net interest income	568	435	2,059
Net result from items at fair value	-4	1	24
Other income	12	13	50
Total operating income	576	449	2,133
Staff costs	-1	-1	-2
Other expenses	-38	-35	-153
Total operating expenses	-39	-35	-155
Loan losses (negative figures are reversals)	8	-2	10
Operating profit	530	416	1,969
Income tax expense	143	117	545
Net profit for the period	387	299	1,423

Summary of balance sheet (NOK mill.)

	31 Mar 2014	31 Mar 2013	31 Dec 2013
Loans to the public	114,380	116,721	116,542
Allowance for loan losses	-45	-31	-40
Other assets	3,136	3,176	2,890
Debt securities in issue	92,574	86,652	87,830
Other liabilities	16,477	26,279	23,536
Equity	8,419	6,935	8,026
Total assets	117,471	119,866	119,392
Average total assets	120,596	120,683	121,950

Ratios and key figures

	31 Mar 2014	31 Mar 2013	31 Dec 2013
Earnings per share (NOK), annualised basis	102.3	79.2	92.8
Equity per share ¹ (NOK)	549.0	452.2	523.4
Shares outstanding ¹ , million	15.3	15.3	15.3
Post-tax return on average equity	19.1 %	18.0 %	19.5 %
Cost/income ratio	6.8 %	7.8 %	7.3 %
Loan loss ratio, annualised, basis points	2.6	-0.7	0.8
Core tier 1 capital ratio, excl. transition rules ^{1,2}	50.9 %	57.6 %	71.8 %
Tier 1 capital ratio, excl. transition rules ^{1,2}	50.9 %	57.6 %	71.8 %
Total capital ratio, excl. transition rules ^{1,2}	55.6 %	64.1 %	78.5 %
Core tier 1 capital ratio incl. transition rules ^{1,2}	15.4 %	12.7 %	15.1 %
Tier 1 capital ratio incl. transition rules ^{1,2}	15.4 %	12.7 %	15.1 %
Total capital ratio incl. transition rules ^{1,2}	16.8 %	14.1 %	16.5 %
Capital base (NOK mill.) ¹	8,761	7,355	8,785
Risk-weighted assets incl. transition rules (NOK mill.) ¹	52,058	51,976	53,110
Number of employees (full-time equivalents) ¹	1.7	1.6	1.6

¹ At the end of the period.

² Excluding the year to date result for interim figures.

Nordea Eiendomskreditt AS

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

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

Income statement

Profit from ordinary activities after loan losses but before tax for the first three months of 2014 was NOK 530 million (NOK 416 million). The profit reported is equivalent to a post-tax return on average equity of 19.1% (18.0%) on an annualised basis.

Net interest income for the three months ending 31 March 2014 increased by 31% compared to the same period last year, and amounted to NOK 568 million (NOK 435 million).

Total operating expenses for the first three months amounted to NOK 39 million (NOK 35 million), of which cost related to management of the lending portfolio and customer contact stands for slightly above 90%.

Loan losses and provisions recognised in the accounts for the first three months totalled NOK 8 million (NOK -2 million), mainly due to increases of allocations for individually and collectively assessed loans.

Total assets amounted to NOK 117,471 million as at 31 March 2014 (NOK 119,866 million).

Capital position and risk-weighted assets

Nordea Eiendomskreditt's common equity tier 1 capital ratio excluding Basel I floor was 50.9 % at the end of the first quarter, a weakening of 20.9 %-points from the end of the previous quarter. Also the tier 1 capital ratio excluding Basel I floor decreased 20.9 %-points to 50.9 %.

The total capital ratio excluding Basel I floor decreased 22.9 %-points to 55.6 %.

Risk Exposure Amount, REA (previously referred to as risk-weighted assets) was NOK 15,750 million excluding transition rules, an increase of NOK 4,564 million, or 41%, compared to the previous quarter. The increase of the LGD floor for retail mortgage loans from 10% to 20% is the main driver of the increased REA during the quarter.

The common equity tier 1 ratio including transition rules was 15.4 % at the end of the first quarter. Own funds was NOK 8,761 million, the Tier 1 capital was NOK 8,021 million and the common equity tier 1 capital was also NOK 8,021 million.

Capital regulation

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

- a common equity tier 1 capital ratio including transition rules of 9 %, comprising of a minimum common equity tier 1 capital ratio of 4.5 % and capital buffers of 4.5 %,
- a tier 1 capital ratio including transition rules of 10.5 %, comprising of a minimum tier 1 capital ratio of 6 % and capital buffers of 4.5 %, and
- a total capital ratio including transition rules of 12.5 %, comprising of a minimum total capital ratio of 8 % and capital buffers of 4.5 %.

Funding

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

During the first three months of 2014 Nordea Eiendomskreditt has issued covered bonds amounting to NOK 9.8 billion in the Norwegian domestic market under its NOK 75 bn domestic covered bond program. As of 31 March 2014, Nordea Eiendomskreditt had outstanding covered bonds totalling NOK 59.4 billion in the Norwegian market and USD 3.0 billion in the US market, issued under its USD 10 bn 144a covered bond programme. In addition, Nordea Eiendomskreditt had outstanding NOK 15.3 billion of covered bonds issued in connection with swap arrangements provided by the Norwegian government. For further information on the swap arrangement, see note 11.

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

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

In addition to the long term funding, Nordea Eiendoms kreditt also raised short term unsecured funding from the parent bank. At the end of the first quarter of 2014 such borrowings amounted to NOK 13.3 billion.

Rating

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

Lending

The gross book value of loans outstanding amounted to NOK 114.4 billion as at 31 March 2014 (NOK 116.7 billion), which consists entirely of residential mortgage loans and loans to holiday houses, that are managed by Nordea Bank Norge ASA. NOK 104.6 billion of the loan portfolio is included in the collateral pool for the purposes of the calculation of the asset coverage requirement under the covered bond legislation. This represents surplus collateral of 14.2% in relation to covered bonds issued.

Interest rate and currency hedging

The company uses interest rate and currency swaps to hedge interest rate and currency risk. At the close of the first quarter of 2014, the company was party to interest rate swaps with nominal value of NOK 55.2 billion. In accordance with IFRS, fair value changes of interest rate swaps and the corresponding hedged items (fixed-rate lending and fixed-rate issued bonds) due to changes in market rates, are recognised in the profit and loss accounts.

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

Impaired loans

As at 31 March 2014 impaired loans amounted to NOK 57.8 million which corresponds to 0.05% of the total lending portfolio. Individual allowances of NOK 26.8 million have been made, and net impaired loans were NOK 31.0 million at 31 March 2014, compared to NOK 23.0 million at 31 March 2013.

Nordea Eiendoms kreditt AS

Oslo, 15 May 2014



Jon Brenden
Chairman of the Board



Børre Gundersen
Board member



Ola Littorin
Board member



Eva I. E. Jarbekk
Board member



Alex Madsen
Board member



Marianne Glatved
Managing director

Income statement

NOK 1000	Note	Jan-Mar 2014	Jan-Mar 2013	Year 2013
Interest income on loans and deposits with financial institutions		1,213	1,207	8,823
Interest income on loans to customers		1,143,478	1,086,232	4,576,694
Other interest income		0	0	3,196
Total interest income		1,144,692	1,087,439	4,588,713
Interest expense on liabilities to financial institutions		72,752	123,301	442,574
Interest expense on securities issued		526,429	525,026	2,106,666
Interest expense on subordinated loan capital		10,303	10,349	42,828
Other interest expense		-32,897	-6,246	-62,537
Total interest expense		576,587	652,430	2,529,532
Net interest income		568,105	435,009	2,059,181
Fee and commission income		13,158	13,080	54,284
Fee and commission expense		1,000	453	4,013
Net fee and commission income		12,158	12,627	50,272
Net result from items at fair value	3	-3,931	1,490	23,847
Total operating income		576,332	449,126	2,133,299
Staff costs		616	607	2,166
Other expenses		38,335	34,611	152,617
Total operating expenses		38,952	35,218	154,783
Profit before loan losses		537,381	413,908	1,978,517
Loan losses (negative figures are reversals)	4	7,676	-2,074	9,945
Operating profit		529,705	415,981	1,968,571
Income tax expense		143,021	116,486	545,132
Net profit for the period		386,685	299,495	1,423,439
Attributable to:				
Shareholder of Nordea Eiendomskreditt AS		386,685	299,495	1,423,439
Total		386,685	299,495	1,423,439
Earnings per share		25.22	19.51	92.82

Statement of comprehensive income

NOK 1000	Jan-Mar 2014	Jan-Mar 2013	Year 2013
Net profit for the period	386,685	299,495	1,423,439
Cash Flow hedges:			
Valuation gains/losses taken to equity	8,022		-45,874
Tax on valuation gains/losses during the period	-2,166		12,386
Defined benefit plans:			
Remeasurement of defined benefit plans			912
Tax on remeasurement of defined benefit plans			-240
Other comprehensive income, net of tax	5,856	0	-32,816
Total comprehensive income	392,541	299,495	1,390,623
Attributable to:			
Shareholders of Nordea Eiendomskreditt AS	392,541	299,495	1,390,623
Total	392,541	299,495	1,390,623

Balance sheet

NOK 1000	Note	31 Mar 2014	31 Mar 2013	31 Dec 2013
Assets				
Loans to credit institutions		293,679	390,332	73,918
Loans to the public	4	114,334,680	116,689,824	116,502,158
Derivatives	6	2,557,177	2,186,012	2,519,727
Fair value changes of the hedged items in portfolio hedge of interest rate risk		81,250	322,099	87,976
Other assets		88	0	819
Accrued income and prepaid expenses		203,841	277,849	207,423
Total assets	5	117,470,714	119,866,116	119,392,021
Liabilities				
Deposits by credit institutions		13,250,663	22,800,581	20,501,450
Debt securities in issue		92,574,392	86,652,047	87,829,874
Derivatives	6	334,020	476,392	402,230
Fair value changes of the hedged items in portfolio hedge of interest rate risk		903,801	1,092,110	805,131
Deferred tax liabilities		73,015	61,750	70,849
Current tax liabilities		524,850	344,358	526,881
Other liabilities		91	100,835	576
Accrued expenses and prepaid income		609,081	620,015	446,845
Provisions		0	280	0
Retirement benefit obligations		1,778	2,377	1,702
Subordinated loan capital		780,000	780,000	780,000
Total liabilities		109,051,691	112,930,745	111,365,539
Equity				
Share capital		1,686,990	1,686,990	1,686,990
Share premium reserve		1,446,637	1,446,637	1,446,637
Other reserves		-26,544	416	-32,400
Retained earnings		4,925,255	3,501,832	4,925,255
Net profit for the period		386,685	299,495	
Total equity		8,419,023	6,935,370	8,026,482
Total liabilities and equity		117,470,714	119,866,116	119,392,021
Assets pledged as security for own liabilities		104,591,712	109,520,904	107,742,237
Contingent liabilities		2,255	3,098	2,255
Commitments		12,263,242	10,796,469	12,088,718

Statements of changes in equity

NOK 1000	Share capital ¹⁾	Share premium reserve	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
Opening balance at 1 Jan 2014	1,686,990	1,446,637	-33,488	1,088	4,925,255	8,026,482
Total comprehensive income			5,856		386,685	392,541
Closing balance at 31 Mar 2014	1,686,990	1,446,637	-27,632	1,088	5,311,940	8,419,023

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

NOK 1000	Share capital ¹⁾	Share premium reserve	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
Opening balance at 1 Jan 2013	1,686,990	1,446,637	0	416	3,501,832	6,635,875
Total comprehensive income					299,495	299,495
Closing balance at 31 Mar 2013	1,686,990	1,446,637	0	416	3,801,327	6,935,370

¹ The company's share capital at 31 March 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.

Nordea Eiendomskreditt AS

Oslo, 15 May 2014


Jon Brenden

Chairman of the Board


Børre Gundersen

Board member


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Alex Madsen

Board member


Marianne Glatved

Managing director

Cash flow statement

NOK 1000	Jan-Mar 2014	Jan-Mar 2013	Year 2013
Operating activities			
Operating profit before tax	529,705	415,981	1,968,571
Income taxes paid	-145,052	-62,231	-287,125
Adjustments for items not included in cash flow		-973	-61
Change in write-downs to provide for loan losses	5,823	-2,256	6,133
Cash flow from operating activities before changes in op. assets and liab.	390,476	350,520	1,687,519
Changes in operating assets and liabilities			
Change in loans to the public	2,161,656	-2,915,235	-2,735,960
Change in debt securities in issue	4,744,517	2,859,270	4,037,097
Change in deposits by credit institutions	-7,250,787	899,911	-1,399,220
Change in other receivables	-26,411	-1,010,052	-1,040,038
Change in other liabilities	200,309	122,450	-558,949
Cash flow from operating activities	219,761	306,864	-9,550
Investing activities			
Change in loans and receivables to credit institutions, fixed terms			
Change in holdings of bearer bonds issued by others			
Cash flow from investing activities	0	0	0
Financing activities			
Group contribution/dividend paid			
Change in subordinated loan capital			
Recognised directly in equity			
Cash flow from financing activities	0	0	0
Cash flow for the period	219,761	306,864	-9,550
Cash and cash equivalents at beginning of period	73,918	83,468	83,468
Cash and cash equivalents at end of period	293,679	390,332	73,918
Change	219,761	306,864	-9,550

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

Notes to the financial statement

Note 1 Accounting policies

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

The interim accounts for the period 1 January to 31 March 2014 are presented in accordance with IAS 34 *Interim Financial Reporting*.

Changed accounting policies and presentation

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

Exchange rates

	Jan-Mar 2014	Jan-Mar 2013	Full year 2013
USD 1 = NOK			
Income statement (average)	6.0959	5.6331	5.8802
Balance sheet (at end of period)	5.9871	5.8665	6.0641

Note 2 Segment information

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

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

Note 3 Net result from items at fair value

NOK 1000	Jan-Mar 2014	Jan-Mar 2013	Year 2013
Interest-bearing securities	-6,747	-922	-11,805
Other financial instruments	2,816	2,412	35,652
Foreign exchange gains/losses			
Total	-3,931	1,490	23,847

Net gains/losses for categories of financial instruments

NOK 1000	Jan-Mar 2014	Jan-Mar 2013	Year 2013
Foreign currency derivatives			
Financial instruments under hedge accounting	2,816	2,412	35,652
– of which net gains/losses on hedged items	-112,754	-373	98,372
– of which net gains/losses on hedging instruments	115,570	2,785	-62,721
Other financial liabilities	-6,747	-922	-11,805
Total	-3,931	1,490	23,847

Note 4 Loans and impairment

Loan losses

NOK 1000	Jan-Mar 2014	Jan-Dec 2013	Jan-Mar 2013
Change in allowances for individually assessed loans	4,823	390	-2,400
Change in allowances for collectively assessed loans	1,000	5,744	144
Realised loan losses in the period	1,853	3,812	182
Recoveries of loan losses realised previous years	0	-1	0
Total loan losses for the period	7,676	9,945	-2,074

Reconciliation of allowance accounts for impaired loans

NOK 1000	Jan-Mar 2014			Jan-Dec 2013			Jan-Mar 2013		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at beginning of period	22,023	17,544	39,567	21,634	11,800	33,434	21,634	11,800	33,434
Provisions	6,974	1,000	7,974	8,049	9,544	17,593	1,637	144	1,781
Reversals	-301	0	-301	-4,840	-3,800	-8,640	-3,146	0	-3,146
Changes through the income statement	6,673	1,000	7,673	3,209	5,744	8,953	-1,509	144	-1,365
Allowances used to cover write-offs	-1,850	0	-1,850	-2,819	0	-2,819	-891	0	-891
Closing balance at end of period	26,846	18,544	45,390	22,023	17,544	39,567	19,234	11,944	31,178

Loans and their impairment

NOK 1000	31 Mar 2014	31 Dec 2013	31 Mar 2013
Loans, not impaired	114,322,269	116,492,019	116,678,817
Impaired loans;	57,801	49,707	42,184
- Performing	4,542	3,795	3,632
- Non-performing	53,259	45,912	38,552
Loans before allowances	114,380,070	116,541,726	116,721,001
Allowances for individually assessed impaired loans;	-26,846	-22,023	-19,234
- Performing	-2,711	-1,494	-1,142
- Non-performing	-24,135	-20,529	-18,091
Allowances for collectively assessed impaired loans	-18,544	-17,544	-11,944
Allowances	-45,390	-39,567	-31,178
Loans, carrying amount	114,334,680	116,502,158	116,689,824

Key ratios

	31 Mar 2014	31 Dec 2013	31 Mar 2013
Impairment rate, gross ¹ , in %	0.05	0.04	0.04
Impairment rate, net ² , in %	0.03	0.02	0.02
Total allowance rate ³ , in %	0.04	0.03	0.03
Allowance rate, impaired loans ⁴ , in %	46.4	44.8	45.6
Total allowances in relation to impaired loans, in %	78.5	80.5	73.9
Non-performing loans, not impaired ⁵ , in NOK 1000	276,039	230,467	252,581

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

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

³ Total allowances divided by total loans before allowances.

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

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

Note 5 Classification of financial instruments

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

NOK 1000	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets						
Loans to credit institutions	293,679					293,679
Loans to the public	114,334,680					114,334,680
Derivatives			2,557,177			2,557,177
Fair value changes of the hedged items in portfolio hedge of interest rate risk	81,250					81,250
Deferred tax assets						0
Other assets					88	88
Prepaid expenses and accrued income	203,841					203,841
Total 31 March 2014	114,913,450	0	2,557,177	0	88	117,470,114
Total 31 Dec 2013	116,783,499	0	2,607,703	0	819	119,392,021
Total 31 March 2013	117,682,197	0	2,186,012	0	-2,093	119,866,116

NOK 1000	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions			13,250,663		13,250,663
Debt securities in issue			92,574,392		92,574,392
Derivatives		334,020			334,020
Fair value changes of the hedged items in portfolio hedge of interest rate risk			903,801		903,801
Current tax liabilities				524,850	524,850
Other liabilities				91	91
Accrued expenses and prepaid income			609,081		609,081
Retirement benefit obligations				1,778	1,778
Deferred tax liabilities				73,015	73,015
Subordinated loan capital			780,000		780,000
Total 31 March 2014	0	334,020	108,117,936	599,734	109,051,691
Total 31 Dec 2013	0	1,207,361	109,111,324	1,046,854	111,365,539
Total 31 March 2013	0	476,392	111,324,737	1,129,615	112,930,744

Note 6 Derivatives and hedge accounting

31 Mar 2014

NOK 1000	Fair value		Total nominal amount
	Positive	Negative	
Derivatives used for hedge accounting:			
Interest rate swaps	1,362,387	334,020	55,183,180
Currency interest rate swaps	1,194,789	0	17,961,271
Total	2,557,177	334,020	73,144,451
Total derivatives	2,557,177	334,020	73,144,451

31 Dec 2013

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

31 Mar 2013

NOK 1000	Fair value		Total nominal amount
	Positive	Negative	
Derivatives used for hedge accounting:			
Interest rate swaps	1,330,229	476,392	63,597,917
Currency interest rate swaps	855,783		17,599,375
Total	2,186,012	476,392	81,197,292
Total derivatives	2,186,012	476,392	81,197,292

Note 7 Fair value of financial assets and liabilities

NOK 1000	31 March 2014	
	Carrying amount	Fair value
Assets		
Loans and receivables to credit institutions	293,679	293,679
Loans and receivables to the public	114,334,680	114,334,680
Derivatives	2,557,177	2,557,177
Fair value changes of the hedged items in portfolio hedge of interest rate risk	81,250	81,250
Other assets	88	88
Prepaid expenses and accrued income	203,841	203,841
Total assets	117,470,714	117,470,714

	Carrying amount	Fair value
Liabilities		
Deposits by credit institutions	13,250,663	13,250,663
Debt securities in issue	92,574,392	94,300,590
Derivatives	334,020	334,020
Fair value changes of the hedged items in portfolio hedge of interest rate risk	903,801	903,801
Current tax liabilities	73,015	73,015
Other liabilities	524,850	524,850
Accrued expenses and prepaid income	91	91
Retirement benefit obligations	609,081	609,081
Deferred tax liabilities	1,778	1,778
Subordinated liabilities	780,000	780,000
Total liabilities	109,051,691	110,777,889

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

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

Categorisation into fair value hierarchy

NOK 1000	31 Mar 2014		
	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)
Financial assets ¹			
Loans to the public			
Interest-bearing securities			
Derivatives		2,557,177	
Total assets	0	2,557,177	0
Financial liabilities ¹			
Debt securities in issue			
Derivatives		334,020	
Total liabilities	0	334,020	0

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

Financial assets and liabilities with offsetting positions in market risk and counterparty risk are measured on the basis of the price that would be received to sell the net asset position or paid to transfer the net liability position for that risk exposure. For more information about valuation techniques and inputs used in the fair value measurement, see the Annual Report 2013, note 17 Assets and liabilities at fair value.

Note 9 Capital adequacy

Summary of items included in own funds

	31 Mar 2014	31 Dec 2013	31 Mar 2013
NOKm			
Equity	8,032	8,026	6,636
IRB provisions shortfall (-)	-39	-28	-31
Other items, net	28	33	
Common Equity Tier 1 capital (net after deduction)	8,021	8,032	6,605
Additional Tier 1 instruments			
Tier 1 capital (net after deduction)	8,021	8,032	6,605
Tier 2 instruments	780	780	780
IRB provisions excess (+)/shortfall (-)	-39	-28	-31
Own funds (net after deduction)	8,761	8,785	7,355

	31 Mar 2014 Minimum Capital requirement	31 Mar 2014 REA	31 Dec 2013 Minimum Capital requirement	31 Dec 2013 REA	31 Mar 2013 Minimum Capital requirement	31 Mar 2013 REA
NOKm						
Credit risk	1,092	13,648	786	9,822	808	10,102
IRB	1,039	12,987	739	9,237	760	9,496
- of which corporate	0	0	0	0	0	0
- of which advanced	-	-	-	-	-	-
- of which foundation	-	-	-	-	-	-
- of which institutions	-	-	-	-	-	-
- of which retail	1,039	12,987	739	9,237	760	9,496
- of which other	0	0	0	0	0	0
Standardised	53	661	47	585	49	607
- of which sovereign	-	-	-	-	-	-
- of which retail	-	-	-	-	-	-
- of which other	53	661	47	585	49	607
Credit Value Adjustment	0	0	0	0	0	0
Market risk	0	0	0	0	0	0
- 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	109	1,364
Standardised	168	2,101	109	1,364	109	1,364
Sub total	1,260	15,750	895	11,186	917	11,467
Adjustment for Basel I floor						
Additional capital requirement according to Basel I floor	2,905	36,308	3,354	41,924	3,241	40,510
Total	4,165	52,058	4,249	53,110	4,158	51,976

Note 9 Capital adequacy cont.

Minimum Capital Requirement & Buffers

Percentage	Minimum Capital requirement	Buffers				Total
		CCB	CCCB	SIFI	SRB	
Common Equity Tier 1 capital	4.50%	2.50%			2.00%	9.00%
Tier 1 capital	6.00%	2.50%			2.00%	10.50%
Own funds	8.00%	2.50%			2.00%	12.50%

NOKm

Common Equity Tier 1 capital	2,343	1,301		1,041	4,685
Tier 1 capital	3,123	1,301		1,041	5,466
Own funds	4,165	1,301		1,041	6,507

Capital ratios

	31 Mar 2014	31 Dec 2013	31 Mar 2013
Common Equity Tier 1 capital ratio, % ¹	50.92	71.81	57.60
Tier 1 ratio, % ¹	50.92	71.81	57.60
Total Capital ratio, % ¹	55.63	78.53	64.14

¹ Excluding profit for the period

Capital ratios including Basel I

	31 Mar 2014	31 Dec 2013	31 Mar 2013
Common Equity Tier 1 capital ratio, % ¹	15.41	15.12	12.71
Tier 1 ratio, % ¹	15.41	15.12	12.71
Total Capital ratio, % ¹	16.83	16.54	14.15

¹ Excluding profit for the period

Note 10 Risks and uncertainties

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

Nordea Eiendomskreditt is also exposed to risks such as

market risk, liquidity risk and operational risk. Further information on the composition of the company's risk exposure and risk management can be found in the Annual Report for 2013.

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

Note 11 Transactions with related parties

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

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

Nordea Bank Norge also provides short term funding to Nordea Eiendomskreditt, and the bank has bought bonds issued by Nordea Eiendomskreditt worth of NOK 15.3 billion as at 31 March 2014. These bonds have been exchanged with government securities in the swap arrangements provided by Norges Bank.

Loans to the public, that make up Nordea Eiendomskreditt's cover pool, are purchased from Nordea Bank Norway. Instalments, early redemptions and refinancings will reduce the company's loan portfolio. Loans that cease to be a part of the portfolio, are replaced by new purchases of loans from the parent bank. This year to date, loans amounting to NOK 6.4 billion have been transferred from Nordea Bank Norway to Nordea Eiendomskreditt.

The transferred loans are continued to be managed by Nordea Bank Norway. For this service Nordea Eiendomskreditt has paid Nordea Bank Norway an amount of NOK 35.6 million in the first three months of 2014.

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

Nordea Eiendoms kreditt AS
Essendropsgt. 9
P.O. Box 1166 Sentrum
0107 Oslo
Tel +47 22 48 84 00
Fax +47 22 48 84 10
www.nordea.com/eiendoms kreditt