

Interim Report 2nd 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–Jun 2014	Jan–Jun 2013	Year 2013
Net interest income	1090	929	2059
Net result from items at fair value	–9	20	24
Other income	24	26	50
Total operating income	1104	975	2133
Staff costs	1	1	2
Other expenses	77	73	153
Total operating expenses	78	74	155
Loan losses (negative figures are reversals)	13	–3	10
Operating profit	1013	904	1969
Income tax expense	273	253	545
Net profit for the period	739	651	1423

Summary of balance sheet (NOK mill.)

	30 Jun 2014	30 Jun 2013	31 Dec 2013
Loans to the public	110,298	114,840	116,542
Allowance for loans losses	–48	–29	–40
Other assets	2,753	3,735	2,890
Debt securities in issue	85,002	87,031	87,830
Other liabilities	19,235	24,254	23,536
Equity	8,765	7,261	8,026
Total assets	113,002	118,546	119,392
Average total assets	118,425	121,644	121,950

Ratios and key figures

	30 Jun 2014	30 Jun 2013	31 Dec 2013
Earnings per share (NOK), annualised basis	97.2	85.6	92.8
Equity per share ¹ (NOK)	571.5	473.5	523.4
Shares outstanding ¹ , million	15.3	15.3	15.3
Post-tax return on average equity	17.7 %	19.0 %	19.5 %
Cost/income ratio	7.1 %	7.6 %	7.3 %
Loan loss ratio, annualised, basis points	2.3	–0.5	0.8
Core tier 1 capital ratio, excl. transition rules ^{1,2}	58.3 %	60.4 %	71.8 %
Tier 1 capital ratio, excl. transition rules ^{1,2}	58.3 %	60.4 %	71.8 %
Total capital ratio, excl. transition rules ^{1,2}	63.2 %	67.3 %	78.5 %
Core tier 1 capital ratio incl. transition rules ^{1,2}	17.3 %	12.8 %	15.1 %
Tier 1 capital ratio incl. transition rules ^{1,2}	17.3 %	12.8 %	15.1 %
Total capital ratio incl. transition rules ^{1,2}	18.8 %	14.2 %	16.5 %
Capital base (NOK mill.) ¹	9 505	7,354	8,785
Risk-weighted assets incl. transition rules (NOK mill.) ¹	50 548	51,645	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 30 June 2013 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 six months of 2014 was NOK 1 013 million (NOK 904 million). The profit reported is equivalent to a post-tax return on average equity of 17.7% (19.0%) on an annualised basis.

Net interest income for the six months ending 30 June 2014 increased by 17% compared to the same period last year, and amounted to NOK 1 090 million (NOK 929 million).

Total operating expenses for the first six months amounted to NOK 78 million (NOK 74 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 six months totalled NOK 13 million (NOK -3 million), of which NOK 3 million is related to increased allocation for collectively assessed loans.

Total assets amounted to NOK 113,002 million as at 30 June 2014 (NOK 118,546 million).

Capital position and risk-weighted assets

Nordea Eiendomskreditt's common equity tier 1 capital ratio excluding Basel I floor was 53.4% excluding profit and at the end of the second quarter, a strengthening of 2.5%-points from the end of the previous quarter. Also the tier 1 capital ratio excluding Basel I floor increased 2.5%-points to 53.4% excluding profit. The total capital ratio excluding Basel I floor increased 2.7%-points to 58.3% excluding profit.

REA (Risk Exposure Amount) was NOK 15,029 million excluding transition rules, a decrease of NOK 721 million, or 4.6%, compared to the previous quarter. The main driver behind the REA decrease was decreased exposures in IRB retail portfolio.

The Common Equity Tier 1 ratio including transition rules was 15.9 % excluding profit at the end of the second quarter. The own funds was NOK 8 765 million, the tier 1 capital was NOK 8 023 million and the Common Equity Tier 1 capital was NOK 8 023 million.

Capital regulation

On 30 June 2014, the Norwegian FSA presented a suggestion to increase risk weight floor for mortgage loans by introducing a PD (Probability of Default) floor, in addition to the previously presented LGD (Loss Given Default) floor.

In addition to the increased LGD floor the Norwegian FSA presented on 1 July 2014 stricter requirements on which the internal models (IRB) are to be based. The new requirements are to be valid from Q1 2015 and require that 20% weight is given on the downturn PD-estimate and 80% weight for the non-crisis years. For the downturn period a 3.5% PD shall be used and for the non-crisis years a minimum PD of 0.2% should be used. The requirement is also that the LGDs shall be based on a simplified model provided by regulation, driven by the LTV value of the loans and incorporating the assumptions that the cure rate is 10%, the valuation haircut is 50%, the costs of realisation is 5% of the realisation value and that the recovery of unsecured part of exposure is 10%.

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 in Norway.

During the first half year of 2014 Nordea Eiendomskreditt has issued covered bonds amounting to NOK 15.2 billion in the Norwegian domestic market under its NOK 75 bn domestic covered bond program. As of 30 June 2014, Nordea Eiendomskreditt had outstanding covered bonds totalling NOK 63.4 billion in the Norwegian market and USD 1.0 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 Eiendomskreditt also raised short term unsecured funding from the parent bank. At the end of the second quarter of 2014 such borrowings amounted to NOK 16.2 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 110.3 billion as at 30 June 2014 (NOK 114.8 billion), which consists entirely of residential mortgage loans and loans to holiday houses, that are managed by Nordea Bank Norge ASA. NOK 102.0 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 21.3% 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 second quarter of 2014, the company was party to interest rate swaps with nominal value of NOK 46.1 billion. In accordance with IFRS, fair value changes of interest rate swaps and the corresponding hedged items (fixed-rate lending and fixed-rate issued bonds) due to changes in market rates, are recognised in the profit and loss accounts.

Nordea Eiendomskreditt issued in 2011 bonds totalling USD 3 billion in the US market, of which USD 1 billion still remains in the balance sheet. In order to eliminate the foreign exchange risk, the company has entered into currency swaps of the same amount. Nordea Bank Norge ASA is counterparty to all derivative contracts.

Impaired loans

As at 30 June 2014 impaired loans amounted to NOK 52.5 million which corresponds to 0.05% of the total lending portfolio. Individual allowances of NOK 28.0 million have been made, and net impaired loans were NOK 24.5 million at 30 June 2014, compared to NOK 19.8 million at 30 June 2013.

Nordea Eiendomskreditt AS Oslo, 16 July 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–Jun 2014	Jan–Jun 2013	Q2 2014	Q2 2013	Year 2013
Interest income on loans and deposits with financial institutions		2,367	2,581	1,154	1,374	8,823
Interest income on loans to customers		2,246,615	2,236,737	1,103,137	1,150,587	4,576,694
Other interest income		195	208.07	195	126	3,196
Total interest income		2,249,177	2,239,526	1,104,486	1,152,087	4,588,713
Interest expense on liabilities to financial institutions		164,409	234,822	91,657	111,521	442,574
Interest expense on securities issued		1,056,078	1,066,974	529,649	541,948	2,106,666
Interest expense on subordinated loan capital		20,837	21,582	10,534	11,233	42,828
Other interest expense		-81,853	-12,948	-48,956	-6,702	-62,537
Total interest expense		1,159,471	1,310,430	582,884	658,000	2,529,532
Net interest income		1,089,706	929,096	521,602	494,087	2,059,181
Fee and commission income		25,922	27,007	12,764	13,927	54,284
Fee and commission expense		2,047	1,084	1,047	631	4,013
Net fee and commission income		23,876	25,924	13,811	13,297	50,272
Net result from items at fair value	3	-9,229	20,381	-5,298	18,891	23,847
Total operating income		1,104,353	975,401	530,115	526,275	2,133,300
Staff costs		1,151	1,177	535	570	2,166
Other expenses		77,196	72,816	38,861	38,205	152,617
Total operating expenses		78,347	73,993	39,396	38,775	154,783
Profit before loan losses		1,026,006	901,408	488,626	487,500	1,978,516
Loan losses (negative figures are reversals)	4	13,055	-2,988	5,379	-914	9,945
Operating profit		1,012,951	904,396	483,247	488,414	1,968,571
Income tax expense		273,498	253,231	130,477	136,745	545,132
Net profit for the period		739,454	651,165	352,771	351,669	1,423,439
Attributable to:						
Shareholder of Nordea Eiendomskreditt AS		739,454	651,165	352,771	351,669	1,423,439
Total		739,454	651,165	352,771	351,669	1,423,439
Earnings per share		48.22	42.46	23.00	22.93	92.82

Statement of comprehensive income

NOK 1000	Jan–Jun 2014	Jan–Jun 2013	Q2 2014	Q2 2013	Year 2013
Net profit for the period	739,454	651,165	352,771	351,669	1,423,439
Cash Flow hedges:					
Valuation gains/losses taken to equity	-1,117	-36,148	-9,139	-36,148	-45,874
Tax on valuation gains/losses during the period	302	10,121	2,468	10,121	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	-815	-26,027	-6,671	-26,027	-32,816
Total comprehensive income	738,639	625,138	346,100	325,642	1,390,623
Attributable to:					
Shareholders of Nordea Eiendomskreditt AS	738,639	625,138	346,100	325,642	1,390,623
Total	738,639	625,138	346,100	325,642	1,390,623

Balance sheet

NOK 1000	Note	30 Jun 2014	30 Jun 2013	31 Dec 2013
Assets				
Loans to credit institutions		288,563	1,198,398	73,918
Loans to the public	4	110,249,418	114,811,423	116,502,158
Derivatives	6	1 783,934	2 130,947	2 519,727
Fair value changes of the hedged items in portfolio hedge of interest rate risk		94,392	107,433	87,976
Other assets		402,544	17,221	819
Accrued income and prepaid expenses		183,377	280,707	207,423
Total assets	5	113,002,228	118,546,128	119,392,021
Liabilities				
Total deposits by credit institutions		16,151,226	21,700,819	20,501,450
Debt securities in issue		85,001,547	87,030,742	87,829,874
Derivatives	6	328,753	427,428	402,230
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,256,578	836,665	805,131
Deferred tax liabilities		69,611	34,800	70,849
Current tax liabilities		236,860	270,059	526,881
Other liabilities		301,034	20,274	576
Accrued expenses and prepaid income		109,737	181,591	446,845
Provisions		0	280	0
Retirement benefit obligations		1,763	2,456	1,702
Subordinated loan capital		780,000	780,000	780,000
Total liabilities		104,237,107	111,285,115	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		-33,215	-25,611	-32,400
Retained earnings		5,664,709	4,152,997	4 925,255
Total equity		8 765 121	7 261 013	8 026 482
Total liabilities and equity		113,002,228	118,546,128	119,392,021
Assets pledged as security for own liabilities		101,975,296	108,805,726	107,742,237
Contingent liabilities		2,255	3,098	2,255
Commitments		12,680,234	11,155 950	12,088,718

Statement of changes in equity

NOK 1000	Share capital ¹⁾	Share premium reserve	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
Opening balance at 1 Jan 2014	1,686,990	1,446,637	-33,488	1,088	4,925,255	8,026,482
Total comprehensive income			-815		739,454	738,639
Closing balance at 30 Jun 2014	1,686,990	1,446,637	-34,303	1,088	5,664,709	8,765,121

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			-26,027		651,165	625,138
Closing balance at 30 Jun 2013	1,686,990	1,446,637	-26,027	416	4,152,997	7,261,013

¹ The company's share capital at 30 June 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, 16 July 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

Cash flow statement

NOK 1000	Jan–Jun 2014	Jan–Jun 2013	Year 2013
Operating activities			
Operating profit before tax	1,012,951	904,396	1,968,571
Income taxes paid	-563,520	-290,104	-287,125
Adjustments for items not included in cash flow	-938	-973	-61
Change in write-downs to provide for loan losses	8,765	-4,891	6,133
Cash flow from operating activities before changes in op. assets and liab.	457,258	608,428	1,687,519
Changes in operating assets and liabilities			
Change in loans to the public	6,243,977	-1,034,200	-2,735,960
Change in debt securities in issue	-2,828,327	3,237,965	4,037,097
Change in deposits by credit institutions	-4,350,224	-199,851	-1,399,220
Change in other receivables	351,697	-760,401	-1,040,038
Change in other liabilities	340,264	-737,012	-558,949
Cash flow from operating activities	214,644	1,114,929	-9,550
Investing activities			
Change in loans and receivables to credit institutions, fixed terms	0	0	0
Change in holdings of bearer bonds issued by others	0	0	0
Cash flow from investing activities	0	0	0
Financing activities			
Group contribution/dividend paid	0	0	0
Change in subordinated loan capital	0	0	0
Recognised directly in equity	0	0	0
Cash flow from financing activities	0	0	0
Cash flow for the period	214,644	1,114,929	-9,550
Cash and cash equivalents at beginning of period	73,918	83,468	83,468
Cash and cash equivalents at end of period	288,563	1,198,398	73,918
Change	214,644	1,114,929	-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 and the International Financial Reporting Standards (IFRS) and interpretation of such standards by the International Financial Reporting Standards Interpretation Committee (IFRS IC), as endorsed by the EU Commission.

The interim accounts for the period 1 January to 30 June 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-Jun 2014	Jan-Jun 2013	Full year 2013
USD 1 = NOK			
Income statement (average)	6.0409	5.7313	5.8802
Balance sheet (at end of period)	6.1528	6.0279	6.0641

Note 2 Segment information

The activities of Nordea Eiendoms kreditt 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 Eiendoms kreditt AS are judged to be subject to the same risks and yield requirements. Nordea Eiendoms kreditt 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-Jun 2014	Jan-Jun 2013	Year 2013
Interest-bearing securities	-6,747	-7,782	-11,805
Other financial instruments	-2,481	28,163	35,652
Foreign exchange gains/losses			
Total	-9,229	20,381	23,847

Net gains/losses for categories of financial instruments

NOK 1000	Jan-Jun 2014	Jan-Jun 2013	Year 2013
Foreign currency derivatives			
Financial instruments under hedge accounting	-2,481	28,163	35,652
– of which net gains/losses on hedged items	-442,922	75,725	98,372
– of which net gains/losses on hedging instruments	440,440	-47,562	-62,721
Other financial liabilities	-6,747	-7,782	-11,805
Total	-9,229	20,381	23,847

Note 4 Loans and impairment

Loan losses

NOK 1000	Jan-Jun 2014	Jan-Dec 2013	Jan-Jun 2013
Change in allowances for individually assessed loans	6,005	390	-1,234
Change in allowances for collectively assessed loans	2,759	5,744	-3,656
Realised loan losses in the period	4,291	3,812	1,904
Recoveries of loan losses realised previous years	0	-1	-1
Total loan losses for the period	13,055	9,945	-2,988

Reconciliation of allowance accounts for impaired loans

NOK 1000	Jan-Jun 2014			Jan-Dec 2013			Jan-Jun 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	10,295	2,759	13,054	8,049	9,544	17,593	4,648	144	4,792
Reversals	-813	0	-813	-4,840	-3,800	-8,640	-3,600	-3,800	-7,400
Changes through the income statement	9,482	2,759	12,241	3,209	5,744	8,953	1,048	-3,656	-2,608
Allowances used to cover write-offs	-3,477	0	-3,477	-2,819	0	-2,819	-2,282	0	-2,282
Closing balance at end of period	28,029	20,303	48,332	22,023	17,544	39,567	20,399	8,144	28,543

Loans and their impairment

NOK 1000	30 Jun 2014	31 Dec 2013	30 Jun 2013
Loans, not impaired	110,239,558	116,492,019	114,799,766
Impaired loans;	58,191	49,707	40,199
- Performing	4,721	3,795	3,625
- Non-performing	53,470	45,912	36,574
Loans before allowances	110,297,749	116,541,726	114,839,966
Allowances for individually assessed impaired loans;	-28,029	-22,023	-20,399
- Performing	-2,877	-1,494	-1,145
- Non-performing	-25,152	-20,529	-19,254
Allowances for collectively assessed impaired loans	-20,303	-17,544	-8,144
Allowances	-48,332	-39,567	-28,543
Loans, carrying amount	110,249,418	116,502,158	114,811,423

Key ratios

	30 Jun 2014	31 Dec 2013	30 Jun 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	0.02
Allowance rate, impaired loans ⁴ , in %	48.2	44.8	50.7
Total allowances in relation to impaired loans, in %	83.1	80.5	71.0
Non-performing loans, not impaired ⁵ , in NOK 1000	271,775	230,467	240,403

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 re- ceivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets						
Loans to credit institutions	288,563					288,563
Loans to the public	110,249,418					110,249,418
Derivatives			1,783,934			1,783,934
Fair value changes of the hedged items in portfolio hedge of interest rate risk	94,392					94,392
Other assets	402,536				8	402,544
Prepaid expenses and accrued income	183,377					183,377
Total 30 June 2014	111,218,286	0	1,783,934	0	8	113,002,228
Total 31 Dec 2013	116,783,499	0	2,607,703	0	819	119,392,021
Total 30 June 2013	116,397,961	0	2,130,947	0	17,221	118,546,128

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			16,151,226		16,151,226
Debt securities in issue			85,001,547		85,001,547
Derivatives		328,753			328,753
Fair value changes of the hedged items in portfolio hedge of interest rate risk			1,256,578		1,256,578
Deferred tax liabilities				69,611	69,611
Current tax liabilities				236,860	236,860
Other liabilities			300,272	762	301,034
Accrued expenses and prepaid income			109,737		109,737
Retirement benefit obligations				1,763	1,763
Subordinated loan capital			780,000		780,000
Total 30 June 2014	0	328,753	103,599,359	308,996	104,237,107
Total 31 Dec 2013	0	1,207,361	109,111,324	1,046,854	111,365,539
Total 30 June 2013	0	427,428	110,348,225	509,460	111,285,115

Note 6 Derivatives and hedge accounting

30 Jun 2014

NOK 1000	Fair value		Total nominal amount
	Positive	Negative	
Derivatives used for hedge accounting:			
Interest rate swaps	1,213,370	328,753	46,111,804
Currency interest rate swaps	570,564	0	6,152,804
Total	1,783,934	328,753	52,264,608
Total derivatives			
	1,783,934	328,753	52,264,608

31 Dec 2013

	Fair value		Total nominal
NOK 1000	Positive	Negative	amount
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	2,519,727	402,230	74,279,500
Total derivatives	2,519,728	402,230	74,279,500

30 Jun 2013

NOK 1000	Fair value		Total nominal amount
	Positive	Negative	
Derivatives used for hedge accounting:			
Interest rate swaps	827,985	427,428	49,135,810
Currency interest rate swaps	1,302,962	0	18,083,716
Total	2,130,947	427,428	67,219,526
Total derivatives	2,130,947	427,428	67,219,526

Note 7 Fair value of financial assets and liabilities

NOK 1000	30 June 2014	
	Carrying amount	Fair value
Assets		
Loans and receivables to credit institutions	288,563	288,563
Loans and receivables to the public	110,249,418	110,249,418
Derivatives	1,783,934	1,783,934
Fair value changes of the hedged items in portfolio hedge of interest rate risk	94,392	94,392
Other assets	402,544	402,544
Prepaid expenses and accrued income	183,377	183,377
Total assets	113,002,228	113,002,227
	Carrying amount	Fair value
Liabilities		
Deposits by credit institutions	16,151,226	16,151,226
Debt securities in issue	85,001,547	86,036,969
Derivatives	328,753	328,753
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,256,578	1,256,578
Deferred tax liabilities	69,611	69,611
Current tax liabilities	236,860	236,860
Other liabilities	301,034	301,034
Accrued expenses and prepaid income	109,737	109,737
Retirement benefit obligations	1,763	1,763
Subordinated liabilities	780,000	780,000
Total liabilities	104,237,107	105,963,307

The determination of fair value is described in the Annual Report 2013 note 17 Assets and liabilities at fair value.

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

Categorisation into fair value hierarchy

	30 June 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)
NOK 1000			
Financial assets¹			
Loans to the public			
Interest-bearing securities			
Derivatives		1,783,934	
Total assets	0	1,783,934	0
Financial liabilities¹			
Debt securities in issue			
Derivatives		328,753	
Total liabilities	0	328,753	0

¹ 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

	30 Jun ¹ 2014	31 Dec ¹ 2013	30 Jun 2013
NOKm			
Equity	8 765	8 026	6 610
IRB provisions shortfall (-)	-37	-28	-31
Other items, net	34	33	26
Common Equity Tier 1 capital (net after deduction)	8 762	8 032	6 605
Additional Tier 1 instruments			-
Tier 1 capital (net after deduction)	8 762	8 032	6 605
Tier 2 instruments	780	780	780
IRB provisions excess (+)/shortfall (-)	-37	-28	-31
Own funds (net after deduction)	9 505	8 785	7 354

¹ Including profit

Own Funds

	30 Jun 2014	31 Dec 2013	30 Jun 2013
NOKm			
Common Equity Tier 1 capital, including profit	8 762	8 032	7 256
Total Own Funds, including profit	9 505	8 785	8 005
Common equity tier 1 capital, excluding profit	8 023	6 609	6 605
Total own funds, excluding profit	8 765	7 362	7 354

	30 Jun 2014 Minimum Capital requirement	30 Jun 2014 REA	31 Dec 2013 Minimum Capital requirement	31 Dec 2013 REA	30 Jun 2013 Minimum Capital requirement	30 Jun 2013 REA
NOKm						
Credit risk	1 034	12 928	786	9 822	766	9 569
IRB	996	12 449	739	9 237	723	9 042
- of which corporate	0	0	0	0	0	0
- of which advanced	0	0	-	-	0	0
- of which foundation	0	0	-	-	0	0
- of which institutions	0	0	-	-	0	0
- of which retail	996	12 449	739	9 237	723	9 042
- of which other	0	0	0	0	0	0
Standardised	38	479	47	585	42	527
- of which sovereign	0	0	-	-	0	0
- of which retail	0	0	-	-	0	0
- of which other	38	479	47	585	42	527

Credit Value Adjustment Risk

Market risk	0	0	0	0	0	0
- of which trading book, Internal Approach	0	0	-	-	0	0
- of which trading book, Standardised Approach	0	0	-	-	0	0
- of which banking book, Standardised Approach	0	0	-	-	0	0
Operational risk	168	2 101	109	1 364	109	1 364
Standardised	168	2 101	109	1 364	109	1 364
Sub total	1 202	15 029	895	11 186	875	10 933

Adjustment for Basel I floor

Additional capital requirement according to Basel I floor	2 842	35 519	3354	41924	3 257	40 712
Total	4 044	50 548	4 249	53 110	4 132	51 645

Note 9 Capital adequacy cont.

Minimum Capital Requirement & Buffers

Percentage	Minimum Capital requirement	Buffers				Total
		CCB	CCCB	SIFI	SRB	
Common Equity Tier 1 capital	0,045	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	2 275	1 264	0	0	1 011	4 549
Tier 1 capital	3 033	1 264	0	0	1 011	5 308
Own funds	4 044	1 264	0	0	1 011	6 319

Capital ratios

Percentage	30 Jun 2014	31 Dec 2013	30 Jun 2013
Common Equity Tier 1 capital ratio, including profit	58,3	71,8	66,4
Tier I ratio, including profit	58,3	71,8	66,4
Total Capital ratio, including profit	63,2	78,5	73,2
Common Equity Tier 1 capital ratio, excluding profit	53,4	59,1	60,4
Tier I ratio, excluding profit	53,4	59,1	60,4
Total Capital ratio, excluding profit	58,3	65,8	67,3

Capital ratios including Basel I

	30 Jun 2014	31 Dec 2013	30 Jun 2013
Common Equity Tier 1 capital ratio, including profit	17,3	15,1	14,1
Tier I ratio, including profit	17,3	15,1	14,1
Total Capital ratio, including profit	18,8	16,5	15,5
Common Equity Tier 1 capital ratio, excluding profit	15,9	12,4	12,8
Tier I ratio, excluding profit	15,9	12,4	12,8
Total Capital ratio, excluding profit	17,3	13,9	14,2

Note 10 Risks and uncertainties

Nordea Eiendoms kreditt'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 Eiendoms kreditt 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 Eiendoms kreditt 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 Eiendoms kreditt'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 Eiendoms kreditt, and the bank has bought bonds issued by Nordea Eiendoms kreditt worth of NOK 15.3 billion as of 30 June 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 Eiendoms kreditt'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 13.8 billion have been transferred from Nordea Bank Norway to Nordea Eiendoms kreditt.

The transferred loans are continued to be managed by Nordea Bank Norway. For this service Nordea Eiendoms kreditt has paid Nordea Bank Norway an amount of NOK 70.6 million in the first six months of 2014.

Nordea Eiendoms kreditt 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.

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

The Board of Directors and the Managing Director consider that to the best of their knowledge the interim report for the six months to 30 June 2014 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, 16 July 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

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