

Interim Report 3rd 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 750 branch office locations and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.

Key financial figures

Summary of income statement (NOK mill.)

	Jan-Sep 2014	Jan-Sep 2013	Year 2013
Net interest income	1,567	1,490	2,059
Net fee and commission income	35	39	50
Net result from items at fair value	-17	20	24
Total operating income	1,585	1,550	2,133
Staff costs	2	2	2
Other expenses	117	114	153
Total operating expenses	119	116	155
Loan losses (negative figures are reversals)	16	4	10
Operating profit	1,450	1,429	1,969
Income tax expense	383	397	545
Net profit for the period	1,067	1,032	1,423

Summary of balance sheet (NOK mill.)

	30 Sep 2014	30 Sep 2013	31 Dec 2013
Loans to the public	114,136	118,435	116,542
Allowance for loans losses	-49	-35	-40
Other assets	2,887	2,715	2,890
Debt securities in issue	94,846	86,875	87,830
Other liabilities	12,905	26,598	23,536
Equity	9,223	7,642	8,026
Total assets	116,974	121,116	119,392
Average total assets	117,691	121,833	121,950

Ratios and key figures

	30 Sep 2014	30 Sep 2013	31 Dec 2013
Earnings per share (NOK), annualised basis	93.0	90.0	92.8
Equity per share ¹ (NOK)	601.4	498.3	523.4
Shares outstanding ¹ , million	15.3	15.3	15.3
Post-tax return on average equity	16.6 %	19.4 %	19.5 %
Cost/income ratio	7.5 %	7.5 %	7.3 %
Loan loss ratio, annualised, basis points	1.9	0.5	0.8
Core tier 1 capital ratio, excl. transition rules ^{1,2}	58.9 %	57.5 %	71.8 %
Tier 1 capital ratio, excl. transition rules ^{1,2}	58.9 %	57.5 %	71.8 %
Total capital ratio, excl. transition rules ^{1,2}	64.0 %	64.1 %	78.5 %
Core tier 1 capital ratio incl. transition rules ^{1,2}	17.5 %	12.2 %	15.1 %
Tier 1 capital ratio incl. transition rules ^{1,2}	17.5 %	12.2 %	15.1 %
Total capital ratio incl. transition rules ^{1,2}	19.0 %	13.6 %	16.5 %
Capital base (NOK mill.) ¹	8,767	7,354	8,785
Risk exposure amount incl. transition rules (NOK mill)	51,701	54,067	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 in 2013.

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 after loan losses but before tax for the first nine months of 2014 was NOK 1 450 million (NOK 1 429 million). The profit reported is equivalent to a post-tax return on average equity of 16.6% (19.4%) on an annualised basis.

Net interest income for the nine months ending 30 September 2014 increased by 5% compared to the same period last year, and amounted to NOK 1 567 million (NOK 1 490 million).

Total operating expenses for the first nine months amounted to NOK 119 million (NOK 116 million), of which cost related to management of the lending portfolio and customer contact stands for approximately 90%.

Loan losses and provisions recognised in the accounts for the first nine months totalled NOK 16 million (NOK 4 million), of which NOK 3 million is related to increased allocation for collectively assessed loans.

Total assets amounted to NOK 116,974 million as at 30 September 2014 (NOK 121,116 million).

Capital position and risk-weighted assets

Nordea Eiendomskreditt's Common Equity Tier 1 capital ratio excluding transitional rules was 51.9% excluding profit at the end of the third quarter, a decrease of 1.4%-points from the end of the previous quarter. Also the tier 1 capital ratio excluding transitional rules decreased 1.4% points to 51.9% excluding profit. The total capital ratio excluding transitional rules decreased 1.3% points to 57.0% excluding profit.

REA (Risk Exposure Amount) was NOK 15,375 million excluding transitional rules, an increase of NOK 346 million, or 2.3%, compared to the previous quarter. The main driver behind the REA decrease was increased retail IRB exposures.

The Common Equity Tier 1 ratio including transitional rules¹ was 15.4% excluding profit at the end of the third quarter. Own funds were NOK 8,767 million, Tier 1 capital was NOK 7,987 million and Common Equity Tier 1 capital was NOK 7,987 million.

Capital regulation

Amendments to the Norwegian capital adequacy regulations entered into force at 30 September 2014. The new regulations resemble the CRR/CRDIV regulations which are applicable in EU-countries, also known as Basel III. Additional national adjustments to the Basel III rules are introduced. These include regulatory requirements to the risk exposure amounts related to the Basel I floor as reported under the Basel II regulation framework.

The Norwegian rules deviate from European CRR/CRDIV as they state among others, that the risk exposure amount does not adapt geographical location in the capital buffer calculations and it does not allow reduced risk weight to the SME segment. As applicable in EU, the new regulations include more stringent rules than the previous regulations in respect of requirements for the quality of capital and deductions for own funds, as well as transitional rules. It still remains to implement a number of detailed provisions compared to the EU legislation. New supervisory practices related to household mortgage loans will be implemented according to supervisory practices applicable for Nordea as from first quarter 2015.

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 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.

During the first nine months of 2014 Nordea Eiendoms kreditt has issued covered bonds amounting to NOK 19.5 billion in the Norwegian domestic market under its NOK 75 bn domestic covered bond program, and GBP 0.5 billion under its EMTN covered bond programme. As of 30 September 2014, Nordea Eiendoms kreditt had outstanding covered bonds totalling NOK 67.8 billion in the Norwegian market, USD 1.0 billion in the US market, issued under its USD 10 bn 144a covered bond programme, and GBP 0.5 billion in the European market. In addition, Nordea Eiendoms kreditt had outstanding NOK 15.3 billion of covered bonds issued in connection with swap arrangements provided by the Norwegian government.

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

In addition to the long term funding, Nordea Eiendoms kreditt also raised short term unsecured funding from the parent bank. At the end of the third quarter of 2014 such borrowings amounted to NOK 9.9 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 114.1 billion as at 30 September 2014 (NOK 118.4 billion), which consists entirely of residential mortgage

loans and loans to holiday houses, that are managed by Nordea Bank Norge ASA. NOK 106.5 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 13.6% in relation to covered bonds issued.

Interest rate and currency hedging

The company uses interest rate and currency swaps to hedge interest rate and currency risk. At the close of the third quarter of 2014, the company was party to interest rate swaps with nominal value of NOK 64.7 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, of which USD 1 billion still remains in the balance sheet. In September 2014 a new bond of GBP 0.5 billion was issued in the European market. In order to eliminate the foreign exchange risk, the company has entered into currency swaps of the same amounts in USD and GBP respectively.

Impaired loans

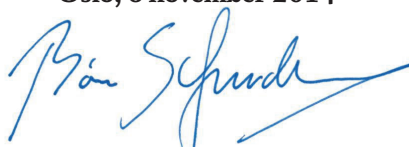
As at 30 September 2014 impaired loans amounted to NOK 57.2 million which corresponds to 0.05% of the total lending portfolio. Individual allowances of NOK 27.9 million have been made, and net impaired loans were NOK 29.2 million at 30 September 2014, compared to NOK 24.1 million at 30 September 2013.

Nordea Eiendoms kreditt AS

Oslo, 6 november 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-Sep 2014	Jan-Sep 2013	Q3 2014	Q3 2013	Year 2013
Interest income on loans and deposits with credit institutions		3,401	7,725	1,034	5,144	8,823
Interest income on loans to the public		3,300,872	3,409,871	1,054,257	1,173,134	4,576,694
Other interest income		447	322	252	114	3,196
Total interest income		3,304,721	3,417,918	1,055,543	1,178,392	4,588,713
Interest expense on liabilities to credit institutions		226,248	344,870	61,839	110,048	442,574
Interest expense on debt securities in issue		1,615,371	1,585,689	559,293	518,715	2,106,666
Interest expense on subordinated loan capital		31,616	32,252	10,779	10,670	42,828
Other interest expense		-135,295	-35,261	-53,442	-22,313	-62,537
Total interest expense		1,737,940	1,927,549	578,469	617,120	2,529,532
Net interest income		1,566,780	1,490,369	477,074	561,272	2,059,181
Fee and commission income		38,656	40,921	12,734	13,914	54,284
Fee and commission expense		3,332	1,774	1,285	690	4,013
Net fee and commission income		35,324	39,146	14,019	13,223	50,272
Net result from items at fair value	3	-16,781	20,240	-7,552	-141	23,847
Total operating income		1,585,323	1,549,755	483,541	574,354	2,133,300
Staff costs		1,763	1,754	612	577	2,166
Other expenses		117,320	114,272	40,124	41,456	152,617
Total operating expenses		119,083	116,026	40,736	42,033	154,783
Profit before loan losses		1,466,240	1,433,729	440,234	532,321	1,978,516
Loan losses (negative figures are reversals)	4	16,190	4,288	3,135	7,276	9,945
Operating profit		1,450,050	1,429,441	437,099	525,045	1,968,571
Income tax expense		383,311	397,259	109,813	144,028	545,132
Net profit for the period		1,066,739	1,032,182	327,285	381,017	1,423,439
Attributable to:						
Shareholder of Nordea Eiendomskreditt AS		1,066,739	1,032,182	327,285	381,017	1,423,439
Total		1,066,739	1,032,182	327,285	381,017	1,423,439
Earnings per share		69.56	67.30	21.34	24.84	92.82

Statement of comprehensive income

NOK 1000	Jan-Sep 2014	Jan-Sep 2013	Q3 2014	Q3 2013	Year 2013
Net profit for the period	1,066,739	1,032,182	327,285	381,017	1,423,439
Cash Flow hedges:					
Valuation gains/losses taken to equity	178,413	-35,685	179,530	463	-45,874
Tax on valuation gains/losses during the period	-48,172	9,992	-48,473	-129	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	130,242	-25,694	131,057	334	-32,816
Total comprehensive income	1,196,981	1,006,488	458,342	381,351	1,390,623
Attributable to:					
Shareholders of Nordea Eiendomskreditt AS	1,196,981	1,006,488	458,342	381,351	1,390,623
Total	1,196,981	1,006,488	458,342	381,351	1,390,623

Balance sheet

NOK 1000	Note	30 Sep 2014	30 Sep 2013	31 Dec 2013
Assets				
Loans to credit institutions		217,626	296,530	73,918
Loans to the public	4	114,087,452	118,400,363	116,502,158
Derivatives	6	2,391,140	2,125,012	2,519,727
Fair value changes of the hedged items in portfolio hedge of interest rate risk		89,475	87,428	87,976
Other assets		12	191	819
Accrued income and prepaid expenses		188,619	206,032	207,423
Total assets	5	116,974,325	121,115,556	119,392,021
Liabilities				
Deposits by credit institutions		9,924,445	23,600,741	20,501,450
Debt securities in issue		94,845,544	86,875,251	87,829,874
Derivatives	6	310,000	408,790	402,230
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,166,437	735,823	805,131
Deferred tax liabilities		82,797	48,615	70,849
Current tax liabilities		381,959	403,381	526,881
Other liabilities		824	334,543	576
Accrued expenses and prepaid income		257,018	283,234	446,845
Provisions		0	280	0
Retirement benefit obligations		1,839	2,534	1,702
Subordinated loan capital		780,000	780,000	780,000
Total liabilities		107,750,861	113,473,193	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		97,842	-25,278	-32,400
Retained earnings		5,991,994	3,501,832	4,925,255
Total equity		9,223,463	7,642,363	8,026,482
Total liabilities and equity		116,974,325	121,115,556	119,392,021
Assets pledged as security for own liabilities		106,522,163	109,280,078	107,742,237
Contingent liabilities		2,255	3,098	2,255
Commitments		14,583,742	11,906,741	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			130,242		1,066,739	1,196,981
Group contribution paid					-486,000	-486,000
Group contribution received					486,000	486,000
Closing balance at 30 Sep 2014	1,686,990	1,446,637	96,754	1,088	5,991,994	9,223,463

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			-25,694		1,032,182	1,006,488
Closing balance at 30 Sep 2013	1,686,990	1,446,637	-25,694	416	4,534,014	7,642,363

¹ The company's share capital at 30 September 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, 6 november 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-Sep 2014	Jan-Sep 2013	Year 2013
Operating activities			
Operating profit before tax	1,450,050	1,429,441	1,968,571
Income taxes paid	-564,457	-287,125	-287,125
Adjustments for items not included in cash flow	0	-973	-61
Change in write-downs to provide for loan losses	9,174	1,549	6,133
Cash flow from operating activities before changes in op. assets and liab.	894,767	1,142,892	1,687,519
Changes in operating assets and liabilities			
Change in loans to the public	2,405,532	-4,629,580	-2,735,960
Change in debt securities in issue	7,015,670	3,082,474	4,037,097
Change in deposits by credit institutions	-10,577,005	1,700,071	-1,399,220
Change in other receivables	146,698	-642,756	-1,040,038
Change in other liabilities	258,047	-440,040	-558,949
Cash flow from operating activities	143,707	213,061	-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	143,707	213,061	-9,550
Cash and cash equivalents at beginning of period	73,918	83,468	83,468
Cash and cash equivalents at end of period	217,626	296,530	73,918
Change	143,707	213,061	-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 Eiendomskreditt AS have been prepared in accordance with the Norwegian Accounting Act and the International Financial Reporting Standards (IFRS) and interpretation of such standards by the International Financial Reporting Standards Interpretation Committee (IFRS IC), as endorsed by the EU Commission.

The interim accounts for the period 1 January to 30 September 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-Sep	Jan-Sep	Full year
USD 1 = NOK	2014	2013	2013
Income statement (average)	6.1094	5.8193	5.8802
Balance sheet (at end of period)	6.4524	6.0082	6.0641
GBP 1 = NOK			
Income statement (average)	10.1965		
Balance sheet (at end of period)	10.4451		

Note 2 Segment information

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

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

Note 3 Net result from items at fair value

NOK 1000	Jan-Sep 2014	Jan-Sep 2013	Year 2013
Interest-bearing securities	-6,747	-9,635	-11,805
Other financial instruments	-10,034	29,874	35,652
Foreign exchange gains/losses			
Total	-16,781	20,240	23,847

Net gains/losses for categories of financial instruments

NOK 1000	Jan-Sep 2014	Jan-Sep 2013	Year 2013
Foreign currency derivatives			
Financial instruments under hedge accounting	-10,034	29,874	35,652
– of which net gains/losses on hedged items	-536,429	156,396	98,372
– of which net gains/losses on hedging instruments	526,396	-126,521	-62,721
Other financial liabilities	-6,747	-9,635	-11,805
Total	-16,781	20,240	23,847

Note 4 Loans and impairment

Loan losses

NOK 1000	Jan-Sep 2014	Jan-Dec 2013	Jan-Sep 2013
Change in allowances for individually assessed loans	5,899	390	-1,995
Change in allowances for collectively assessed loans	3,275	5,744	3,544
Realised loan losses in the period	7,016	3,812	2,740
Recoveries of loan losses realised previous years	0	-1	-1
Total loan losses for the period	16,190	9,945	4,288

Reconciliation of allowance accounts for impaired loans

NOK 1000	Jan-Sep 2014			Jan-Dec 2013			Jan-Sep 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	12,419	3,275	15,694	8,049	9,544	17,593	5,061	7,344	12,405
Reversals	-1,086	0	-1,086	-4,840	-3,800	-8,640	-4,262	-3,800	-8,062
Changes through the income statement	11,333	3,275	14,608	3,209	5,744	8,953	799	3,544	4,343
Allowances used to cover write-offs	-5,434	0	-5,434	-2,819	0	-2,819	-2,794	0	-2,794
Closing balance at end of period	27,922	20,819	48,741	22,023	17,544	39,567	19,639	15,344	34,983

Loans and their impairment

NOK 1000	30 Sep 2014	31 Dec 2013	30 Sep 2013
Loans, not impaired	114,079,028	116,492,019	118,391,635
Impaired loans;	57,166	49,707	43,711
– Performing	2,842	3,795	3,612
– Non-performing	54,324	45,912	40,099
Loans before allowances	114,136,194	116,541,726	118,435,346
Allowances for individually assessed impaired loans;	-27,922	-22,023	-19,639
– Performing	-2,868	-1,494	-1,132
– Non-performing	-25,054	-20,529	-18,507
Allowances for collectively assessed impaired loans	-20,819	-17,544	-15,344
Allowances	-48,741	-39,567	-34,983
Loans, carrying amount	114,087,452	116,502,158	118,400,363

Key ratios

	30 Sep 2014	31 Dec 2013	30 Sep 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 %	48.8	44.8	44.9
Total allowances in relation to impaired loans, in %	85.3	80.5	80.0
Non-performing loans, not impaired ⁵ , in NOK 1000	258,794	230,467	231,041

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	217,626					217,626
Loans to the public	114,087,452					114,087,452
Derivatives			2,391,140			2,391,140
Fair value changes of the hedged items in portfolio hedge of interest rate risk	89,475					89,475
Other assets					12	12
Prepaid expenses and accrued income	188,619					188,619
Total 30 Sep 2014	114,583,172	0	2,391,140	0	12	116,974,325
Total 31 Dec 2013	116,783,499	0	2,607,703	0	819	119,392,021
Total 30 Sep 2013	118,990,353	0	2,125,012	0	191	121,115,556

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			9,924,445		9,924,445
Debt securities in issue			94,845,544		94,845,544
Derivatives		310,000			310,000
Fair value changes of the hedged items in portfolio hedge of interest rate risk			1,166,437		1,166,437
Deferred tax liabilities				82,797	82,797
Current tax liabilities				381,959	381,959
Other liabilities				824	824
Accrued expenses and prepaid income			257,018		257,018
Retirement benefit obligations				1,839	1,839
Subordinated loan capital			780,000		780,000
Total 30 Sep 2014	0	310,000	106,973,443	467,419	107,750,861
Total 31 Dec 2013	0	1,207,361	109,111,324	1,046,854	111,365,539
Total 30 Sep 2013	0	408,790	111,991,814	1,072,587	113,473,193

Note 6 Derivatives and hedge accounting

30 Sep 2014

30 Sep 2017

	Fair value		Total nominal amount
NOK 1000	Positive	Negative	
Derivatives used for hedge accounting:			
Interest rate swaps	1,446,367	310,000	64,711,356
Currency interest rate swaps	944,773		11,674,922
Total	2,391,140	310,000	76,386,278
Total derivatives	2,391,140	310,000	76,386,278

31 Dec 2013

31 Dec 2015

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	2,519,727	402,230	74,279,500
Total derivatives	2,519,727	402,230	74,279,500

30 Sep 2013

30 Sep 2019

NOK 1000	Fair value		Total nominal amount
	Positive	Negative	
Derivatives used for hedge accounting:			
Interest rate swaps	869,240	408,790	55,100,290
Currency interest rate swaps	1,255,771		18,024,435
Total	2,125,012	408,790	73,124,725
Total derivatives	2,125,012	408,790	73,124,725

Note 7 Fair value of financial assets and liabilities

NOK 1000	30 September 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	114,394,553	114,394,553	116,664,053	116,664,053
Derivatives	2,391,140	2,391,140	2,519,727	2,519,727
Other assets	0	0	0	0
Prepaid expenses and accrued income	188,619	188,619	207,423	207,423
Total assets	116,974,313	116,974,313	119,391,204	119,391,204
Financial liabilities				
Deposits and debt instruments	106,716,426	107,955,273	109,916,455	111,355,866
Derivatives	310,000	310,000	402,230	402,230
Other liabilities	0	0	0	0
Accrued expenses and prepaid income	257,018	257,018	446,845	446,845
Total liabilities	107,283,442	108,522,291	110,765,531	112,204,942

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

NOK 1000	30 September 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 assets¹			
Loans to the public			
Interest-bearing securities			
Derivatives		2,391,140	
Total assets	0	2,391,140	0
Financial liabilities¹			
Debt securities in issue			
Derivatives		310,000	
Total liabilities	0	310,000	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 Sep	31 Dec ¹	30 Sep
NOKm	2014	2013	2013
Equity	8,157	8,026	6,610
Common Equity Tier 1 capital before regulatory adjustments	8,157	8,026	6,610
IRB provisions shortfall (-)	-73	-28	-31
Other items, net	-97	33	26
Total regulatory adjustments to Common Equity Tier 1 capital	-170	6	-5
Common Equity Tier 1 capital (net after deduction)	7,987	8,032	6,605
Additional Tier 1 capital before regulatory adjustments	0	0	0
Tier 1 capital (net after deduction)	7,987	8,032	6,605
Tier 2 instruments	780	780	780
IRB provisions excess (+)/shortfall (-)	0	-28	-31
Total regulatory adjustments to Tier 2 capital	0	-28	-31
Tier 2 capital	780	752	749
Own funds (net after deduction)	8,767	8,785	7,354

¹ Including profit

Own Funds including profit

	30 Sep	31 Dec	30 Sep
NOKm	2014	2013	2013
Common Equity Tier 1 capital, including profit	9,053	8,032	7,637
Total Own Funds, including profit	9,833	8,785	8,386

Note 9 Capital adequacy cont.

Minimum capital requirement and REA

	30 Sep 2014	30 Sep 2014	31 Dec 2013	31 Dec 2013	30 Sep 2013	30 Sep 2013
	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
NOKm						
Credit risk	1,062	13,273	786	9,822	809	10,117
IRB	1,011	12,634	739	9,237	768	9,599
– of which corporate	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	1,011	12,633	739	9,237	768	9,599
– of which other	0	1			0	0
Standardised	51	640	47	585	41	517
– of which central governments or central banks	0	0			0	0
– of which regional governments or local authorities	0	0			0	0
– of which public sector entities	0	0			0	0
– of which multilateral development banks	0	0			0	0
– of which international organisations	0	0			0	0
– of which institutions	51	640	47	585	41	517
– of which corporate	0	0			0	0
– of which retail	0	0			0	0
– of which secured by mortgages on immovable property	0	0			0	0
– of which in default	0	0			0	0
– of which associated with particularly high risk	0	0			0	0
– of which covered bonds	0	0			0	0
– of which institutions and corporates with a short-term credit assessment	0	0			0	0
– of which collective investments undertakings (CIU)	0	0			0	0
– of which equity	0	0			0	0
– of which other items	0	0			0	0
Credit Value Adjustment Risk						
Market risk	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	1,230	15,375	895	11,186	918	11,481
Adjustment for Basel I floor						
Additional capital requirement according to Basel I floor	2,906	36,327	3,354	41,924	3,407	42,586
Total	4,136	51,701	4,249	53,110	4,325	54,067

Note 9 Capital adequacy cont.

Minimum Capital Requirement & Capital Buffers

		Capital Buffers				Total	
	Minimum Capital Requirement	CCoB	CCyB	SII	Capital Buffers total		
Percentage							
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%

CCCyB 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	2,327	1,293			1,551	2,844	5,170
Tier 1 capital	3,102	1,293			1,551	2,844	5,946
Own funds	4,136	1,293			1,551	2,844	6,980

Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	30 Sep 2014
Common Equity Tier 1 capital	30.1

Capital ratios

Percentage	30 Sep 2014	31 Dec 2013	30 Sep 2013
Common Equity Tier 1 capital ratio, including profit	58.9	71.8	66.5
Tier I ratio, including profit	58.9	71.8	66.5
Total Capital ratio, including profit	64.0	78.5	73.0
Common Equity Tier 1 capital ratio, excluding profit	51.9	59.1	57.5
Tier I ratio, excluding profit	51.9	59.1	57.5
Total Capital ratio, excluding profit	57.0	65.8	64.1

Capital ratios including transitional rules

Percentage	30 Sep 2014	31 Dec 2013	30 Sep 2013
Common Equity Tier 1 capital ratio, including profit	17.5	15.1	14.1
Tier I ratio, including profit	17.5	15.1	14.1
Total Capital ratio, including profit	19.0	16.5	15.5
Common Equity Tier 1 capital ratio, excluding profit	15.4	12.4	12.2
Tier I ratio, excluding profit	15.4	12.4	12.2
Total Capital ratio, excluding profit	17.0	13.9	13.6

Leverage ratio

	30 Sep 2014
Tier 1 capital, transitional definition, NOKm	7,987
Leverage ratio exposure, NOKm	130,597
Leverage ratio, percentage	6.1

Note 9 Capital adequacy cont.

Additional information on exposures for which internal models are used

	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:	109,498	12,899	113,548	4,050	10.2
- of which scoring grades A	84,957	11,630	88,609	3,652	4.6
- of which scoring grades B	12,972	793	13,221	249	11.0
- of which scoring grades C	5,637	243	5,713	76	22.5
- of which scoring grades D	3,100	95	3,130	30	43.0
- of which scoring grades E	1,544	130	1,585	41	70.2
- of which scoring grades F	619	6	621	2	113.1
- of which not scored	0	0	0	0	0.0
- of which defaulted	670	2	670	1	228.6
Retail, of which other retail:	4,916	1,685	5,445	529	20.3
- of which scoring grades A	3,384	1,452	3,841	456	8.1
- of which scoring grades B	739	134	781	42	17.9
- of which scoring grades C	347	55	364	17	30.9
- of which scoring grades D	173	22	180	7	45.2
- of which scoring grades E	97	18	103	6	49.6
- of which scoring grades F	47	3	48	1	76.5
- of which not scored	0	0	0	0	0.0
- of which defaulted	128	1	128	0	290.7
Other non credit-obligation assets:	1	0	1	0	100.0

Nordea Eiendoms kreditt 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 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 six 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 Nordea Group 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 September 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 Norge. 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 26.9 billion have been transferred from Nordea Bank Norge to Nordea Eiendoms kreditt.

The transferred loans are continued to be managed by Nordea Bank Norge. For this service Nordea Eiendoms kreditt has paid Nordea Bank Norge an amount of NOK 106.4 million in the first nine 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.

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