

# Interim Report 1<sup>st</sup> quarter 2015

## Nordea Eiendoms kreditt AS

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

# Key financial figures

## Summary of income statement (NOKm)

	Jan-Mar 2015	Jan-Mar 2014	Year 2014
<b>Net interest income</b>	<b>480</b>	<b>568</b>	<b>2,059</b>
Net fee and commission income	11	12	47
Net result from items at fair value	-29	-4	-23
<b>Total operating income</b>	<b>461</b>	<b>576</b>	<b>2,083</b>
Staff costs	-1	-1	-3
Other expenses	-40	-38	-155
<b>Total operating expenses</b>	<b>-41</b>	<b>-39</b>	<b>-158</b>
Loan losses (negative figures are reversals)	-0	8	14
<b>Operating profit</b>	<b>421</b>	<b>530</b>	<b>1,911</b>
Income tax expense	78	143	553
<b>Net profit for the period</b>	<b>343</b>	<b>387</b>	<b>1,358</b>

## Summary of balance sheet (NOKm)

	31 Mar 2015	31 Mar 2014	31 Dec 2014
Loans to the public	105,324	114,380	114,930
Allowance for loan losses	-45	-45	-46
Other assets	6,970	3,136	5,181
Debt securities in issue	85,024	92,574	89,982
Other liabilities	2,611	16,477	20,569
Equity	9,836	8,419	9,514
<b>Total assets</b>	<b>112,250</b>	<b>117,471</b>	<b>120,065</b>
Average total assets	116,720	120,596	117,087

## Ratios and key figures

	31 Mar 2015	31 Mar 2014	31 Dec 2014
Earnings per share (NOK), annualised basis	90.7	102.3	88.6
Equity per share <sup>1</sup> (NOK)	641.4	549.0	620.4
Shares outstanding <sup>1</sup> , million	15.3	15.3	15.3
Post-tax return on average equity	14.5 %	19.1 %	15.4 %
Cost/income ratio	8.8 %	6.8 %	7.6 %
Loan loss ratio, annualised, basis points	-0.0	2.6	1.2
Core tier 1 capital ratio, excl. transition rules <sup>1,2</sup>	55.9 %	50.9 %	60.5 %
Tier 1 capital ratio, excl. transition rules <sup>1,2</sup>	55.9 %	50.9 %	60.5 %
Total capital ratio, excl. transition rules <sup>1,2</sup>	60.6 %	55.6 %	65.5 %
Core tier 1 capital ratio incl. transition rules <sup>1,2</sup>	19.3 %	15.4 %	17.9 %
Tier 1 capital ratio incl. transition rules <sup>1,2</sup>	19.3 %	15.4 %	17.9 %
Total capital ratio incl. transition rules <sup>1,2</sup>	21.0 %	16.8 %	19.4 %
Capital base (NOK mill.) <sup>1</sup>	10,115	8,761	10,126
Risk-weighted assets incl. transition rules (NOK mill.) <sup>1</sup>	48,242	52,058	52,281
Number of employees (full-time equivalents) <sup>1</sup>	1.7	1.7	1.7

<sup>1</sup> At the end of the period.

<sup>2</sup> 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 2015 was NOK 421 million (NOK 530 million). The profit reported is equivalent to a post-tax return on average equity of 14.5% (19.1%) on an annualised basis.

Net interest income for the three months ending 31 March 2015 showed a decrease of 15% compared to the same period last year, and amounted to NOK 480 million (NOK 568 million). The decrease is partly due to a lower lending portfolio and partly due to lower interest rate margin compared to the first quarter of 2014.

Total operating expenses for the first three months amounted to NOK 41 million (NOK 39 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 showed a reversal of NOK 0,1 million (loss of NOK 7.7 million). Allocations for individually assessed loans has been decreased by NOK 1.5 million whereas there has not been any change in allowances for collectively assessed loans. Realised loan losses in the period were NOK 1.4 million.

Total assets amounted to NOK 112,250 million as of 31 March 2015 (NOK 117,471 million).

## Capital position and risk-weighted assets

Nordea Eiendomskreditt's Common Equity Tier 1 capital ratio excluding transitional rules was 55.9% excluding profit at the end of the first quarter, an increase of 4.2%-points from the end of the previous quarter. The tier 1 capital ratio excluding transitional rules also increased 4.2% points to 55.9% excluding profit. The total capital ratio excluding transitional rules increased 3.9% points to 60.6 % excluding profit.

REA (Risk Exposure Amount) was NOK 16,691 million excluding transitional rules, an increase of NOK 1,235 million, or 8.0%, compared to the previous quarter. The main driver behind the REA increase was increased income since 2011 driving operational risk REA up.

The Common Equity Tier 1 ratio including transitional rules<sup>1</sup> was 19.3% excluding profit at the end of the quarter. The own funds were NOK 10,115 million, the tier 1 capital was NOK 9,335 million and the Common Equity Tier 1 capital was also NOK 9,335 million.

## Capital regulation

The Norwegian CRD IV Regulations resembles the CRR/CRDIV regulations which are applicable in EU-countries, also known as Basel III. However, additional national adjustments to the Basel III rules are introduced. As opposed to CRR, these include regulatory requirements to the risk exposure amounts related to the Basel I floor as reported under the Basel II regulation framework when calculating the capital ratios.

The Norwegian rules also deviate from CRR/CRDIV as it states 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. It still remains to implement a number of detailed provisions compared to the EU legislation, as well as the new regulatory standards issued by the European Banking Authority (EBA). New supervisory practices related to household mortgage loans will be implemented according to supervisory practices, through Pillar II, as 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.

During the first quarter of 2015 Nordea Eiendomskreditt issued covered bonds amounting to NOK 5.2 billion in the Norwegian domestic market under its NOK 75bn domestic

<sup>1</sup>National transitional rule as reported under the Basel II framework.

covered bond programme and GBP 75 million under its EUR 10bn EMTN covered bond programme. As of 31 March 2015, Nordea Eiendoms kreditt had outstanding covered bonds totalling NOK 69.4 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 0.6 billion in the European market. Bonds issued in connection with the previous swap arrangements provided by the Norwegian government matured at 30 January 2015. Nordea Eiendoms kreditt also had subordinated debt outstanding to the amount of NOK 0.78 billion.

The EUR 10bn EMTN covered bond programme established in June 2013 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 2015 such borrowings amounted to NOK 14.1 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 105.3 billion as of 31 March 2015 (NOK 114.4 billion), and consists entirely of residential mortgage loans and loans to holiday houses, that are bought from and managed by Nordea Bank Norge ASA. NOK 94.6 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 16.4% 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 2015, the company was party to interest rate swaps with nominal value of NOK 74.6 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, whereof USD 1.0 billion is still outstanding. In 2014 and first quarter 2015 the company issued bonds totalling GBP 0.6 billion in the European market. In order to eliminate the foreign exchange risk, the company has entered into currency swaps of the same amounts. Nordea Bank Norge ASA is counterparty to all derivative contracts.

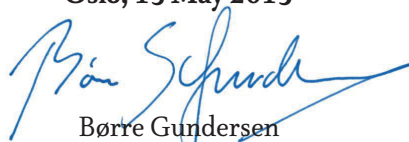
### Impaired loans

As of 31 March 2015 impaired loans amounted to NOK 48.3 million which corresponds to 0.05% of the total lending portfolio. Individual allowances of NOK 26.5 million have been made, and net impaired loans were NOK 21.8 million at 31 March 2015 compared to NOK 31.0 million at 31 March 2014.

### Nordea Eiendoms kreditt AS

Oslo, 13 May 2015

  
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

NOKt	Note	Jan-Mar 2015	Jan-Mar 2014	Year 2014
Interest income on loans and deposits with financial institutions		876	1,213	4,452
Interest income on loans to customers		952,642	1,143,478	4,344,016
Other interest income		39	0	78
<b>Total interest income</b>		<b>953,557</b>	<b>1,144,692</b>	<b>4,348,546</b>
Interest expense on liabilities to financial institutions		60,607	72,752	269,157
Interest expense on securities issued		472,979	526,429	2,164,479
Interest expense on subordinated loan capital		10,023	10,303	42,207
Other interest expense		-69,595	-32,897	-186,173
<b>Total interest expense</b>		<b>474,015</b>	<b>576,587</b>	<b>2,289,670</b>
<b>Net interest income</b>		<b>479,542</b>	<b>568,105</b>	<b>2,058,876</b>
Fee and commission income		12,937	13,158	51,583
Fee and commission expense		2,406	1,000	4,383
<b>Net fee and commission income</b>		<b>10,531</b>	<b>12,158</b>	<b>47,201</b>
<b>Net result from items at fair value</b>	3	<b>-28,592</b>	<b>-3,931</b>	<b>-23,246</b>
<b>Total operating income</b>		<b>461,481</b>	<b>576,332</b>	<b>2,082,830</b>
Staff costs		714	616	2,463
Other expenses		39,878	38,335	155,245
<b>Total operating expenses</b>		<b>40,592</b>	<b>38,952</b>	<b>157,709</b>
<b>Profit before loan losses</b>		<b>420,889</b>	<b>537,381</b>	<b>1,925,122</b>
Loan losses (negative figures are reversals)	4	-89	7,676	14,135
<b>Operating profit</b>		<b>420,978</b>	<b>529,705</b>	<b>1,910,987</b>
Income tax expense		77,887	143,021	552,627
<b>Net profit for the period</b>		<b>343,091</b>	<b>386,685</b>	<b>1,358,360</b>
<b>Attributable to:</b>				
Shareholder of Nordea Eiendomskreditt AS		343,091	386,685	1,358,360
<b>Total</b>		<b>343,091</b>	<b>386,685</b>	<b>1,358,360</b>
Earnings per share		22.37	25.22	88.57

## Statement of comprehensive income

NOKt	Jan-Mar 2015	Jan-Mar 2014	Year 2014
<b>Net profit for the period</b>	<b>343,091</b>	<b>386,685</b>	<b>1,358,360</b>
<b>Items that may be reclassified subsequently to the income statement</b>			
Cash flow hedges:			
Valuation gains/losses during the period	-28,856	8,022	181,440
Tax on valuation gains/losses during the period	7,791	-2,166	-48,989
<b>Items that may not be reclassified subsequently to the income statement</b>			
Defined benefit plans:			
Remeasurement of defined benefit plans	-101		-4,006
Tax on remeasurement of defined benefit plans	27		1,082
<b>Other comprehensive income, net of tax</b>	<b>-21,139</b>	<b>5,856</b>	<b>129,526</b>
<b>Total comprehensive income</b>	<b>321,953</b>	<b>392,541</b>	<b>1,487,886</b>
<b>Attributable to:</b>			
Shareholders of Nordea Eiendomskreditt AS	321,953	392,541	1,487,886
<b>Total</b>	<b>321,953</b>	<b>392,541</b>	<b>1,487,886</b>

## Balance sheet

NOKt	Note	31 Mar 2015	31 Mar 2014	31 Dec 2014
<b>Assets</b>				
Loans to credit institutions		1,118,599	293,679	144,486
Loans to the public	4	105,279,722	114,334,680	114,884,186
Derivatives	6	5,592,309	2,557,177	4,733,675
Fair value changes of the hedged items in portfolio hedge of interest rate risk		104,641	81,250	117,269
Other assets		0	88	282
Accrued income and prepaid expenses		154,615	203,841	184,858
<b>Total assets</b>	<b>5</b>	<b>112,249,887</b>	<b>117,470,714</b>	<b>120,064,755</b>
<b>Liabilities</b>				
Deposits by credit institutions <sup>1</sup>		14,104,229	13,250,663	17,053,883
Debt securities in issue <sup>1</sup>		85,024,204	92,574,392	89,981,881
Derivatives	6	316,665	334,020	363,824
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,631,353	903,801	1,710,363
Deferred tax liabilities		94,451	73,015	138,047
Current tax liabilities		447,512	524,850	508,350
Other liabilities		2,709	91	1,911
Accrued expenses and prepaid income		2,945	609,081	2,374
Retirement benefit obligations		5,958	1,778	5,886
Subordinated loan capital <sup>1</sup>		783,539	780,000	783,868
<b>Total liabilities</b>		<b>102,413,565</b>	<b>109,051,691</b>	<b>110,550,387</b>
<b>Equity</b>				
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		75,988	-26,544	97,127
Retained earnings		6,283,615	4,925,255	6,283,615
Net profit for the period		343,091	386,685	
<b>Total equity</b>		<b>9,836,321</b>	<b>8,419,023</b>	<b>9,514,368</b>
<b>Total liabilities and equity</b>		<b>112,249,887</b>	<b>117,470,714</b>	<b>120,064,755</b>
Assets pledged as security for own liabilities		94,624,792	104,591,712	103,284,334
Contingent liabilities		1,390	2,255	1,390
Commitments		14,187,707	12,263,242	14,737,493

<sup>1</sup> Accrued interests are from year-end 2014 classified together with underlying balance sheet item. Figures for 31 March 2014 have not been restated, due to immateriality.

## Statements of changes in equity

NOKt	Share capital <sup>1)</sup>	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
<b>Opening balance at 1 Jan 2015</b>	<b>1,686,990</b>	<b>1,446,637</b>	<b>98,963</b>	<b>-1,836</b>	<b>6,283,615</b>	<b>9,514,368</b>
Total comprehensive income			-21,065	-74	343,091	321,953
Group contribution paid						0
Group contribution received						0
<b>Closing balance at 31 Mar 2015</b>	<b>1,686,990</b>	<b>1,446,637</b>	<b>77,898</b>	<b>-1,910</b>	<b>6,626,706</b>	<b>9,836,321</b>

NOKt	Share capital <sup>1)</sup>	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
<b>Opening balance at 1 Jan 2014</b>	<b>1,686,990</b>	<b>1,446,637</b>	<b>-33,488</b>	<b>1,088</b>	<b>4,925,255</b>	<b>8,026,482</b>
Total comprehensive income			132,451	-2,925	1,358,360	1,487,887
Group contribution paid					-486,000	-486,000
Group contribution received					486,000	486,000
<b>Closing balance at 31 Dec 2014</b>	<b>1,686,990</b>	<b>1,446,637</b>	<b>98,963</b>	<b>-1,838</b>	<b>6,283,615</b>	<b>9,514,368</b>

NOKt	Share capital <sup>1)</sup>	Share premium	Other reserves		Retained earnings	Total equity
			Cash flow hedges	Defined benefit plans		
<b>Opening balance at 1 Jan 2014</b>	<b>1,686,990</b>	<b>1,446,637</b>	<b>-33,488</b>	<b>1,088</b>	<b>4,925,255</b>	<b>8,026,482</b>
Total comprehensive income			5,856		386,685	392,541
Group contribution paid						0
Group contribution received						0
<b>Closing balance at 31 Mar 2014</b>	<b>1,686,990</b>	<b>1,446,637</b>	<b>-27,632</b>	<b>1,088</b>	<b>5,311,940</b>	<b>8,419,023</b>

<sup>1</sup> The company's share capital at 31 March 2015 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, 13 May 2015

  
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

NOKt	Jan-Mar 2015	Jan-Mar 2014	Year 2014
<b>Operating activities</b>			
Operating profit before tax	420,978	529,705	1,910,987
Adjustments for items not included in cash flow	-1,515	5,823	2,538
Income taxes paid	-174,502	-145,052	-362,868
<b>Cash flow from operating activities before changes in op. assets and liab.</b>	<b>244,961</b>	<b>390,476</b>	<b>1,550,657</b>
<b>Changes in operating assets</b>			
Change in loans to the public	9,605,977	2,161,656	1,611,430
Change in derivatives, net	-905,793	-105,660	-2,252,355
Change in other assets	43,153	11,039	-6,192
<b>Changes in operating liabilities</b>			
Change in deposits by credit institutions	-2,949,529	-7,250,787	-3,448,268
Change in debt securities in issue	-5,084,364	4,744,517	1,695,146
Change in other liabilities	19,708	268,519	1,109,149
<b>Cash flow from operating activities</b>	<b>974,113</b>	<b>219,761</b>	<b>259,567</b>
<b>Investing activities</b>			
Change in loans and receivables to credit institutions, fixed terms			
Change in holdings of bearer bonds issued by others			
<b>Cash flow from investing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Financing activities</b>			
Group contribution paid			-675,000
Group contribution received			486,000
Change in subordinated loan capital			
Increase in share capital and share premium			
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>	<b>-189,000</b>
<b>Cash flow for the period</b>	<b>974,113</b>	<b>219,761</b>	<b>70,567</b>
Cash and cash equivalents at beginning of period	144,486	73,918	73,918
Cash and cash equivalents at end of period	1,118,599	293,679	144,486
<b>Change</b>	<b>974,113</b>	<b>219,761</b>	<b>70,567</b>

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 financial statements of Nordea Eiendomskreditt AS have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU Commission. In addition, certain complementary rules in the Norwegian Accounting Act with supported regulation have also been applied.

The interim accounts for the period 1 January to 31 March 2015 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 2014 Annual Report.

Exchange rates	Jan-Mar 2015	Jan-Mar 2014	Full year 2014
<b>USD 1 = NOK</b>			
Income statement (average)	7.7500	6.0959	6.3069
Balance sheet (at end of period)	8.0895	5.9871	7.4475
<b>GBP 1 = NOK</b>			
Income statement (average)	11.7419	-	10.3748
Balance sheet (at end of period)	11.9669	-	11.6087

## 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

NOKt	Jan-Mar 2015	Jan-Mar 2014	Year 2014
Interest-bearing securities		-6,747	-11,917
Other financial instruments	-28,592	2,816	-11,329
Foreign exchange gains/losses			
<b>Total</b>	<b>-28,592</b>	<b>-3,931</b>	<b>-23,246</b>

### Net gains/losses for categories of financial instruments

NOKt	Jan-Mar 2015	Jan-Mar 2014	Year 2014
Financial instruments held for trading	-4,175		-35,225
Financial instruments under hedge accounting	-24,417	2,816	23,896
- of which net gains/losses on hedged items	87,686	-112,754	-1,072,169
- of which net gains/losses on hedging instruments	-112,104	115,570	1,096,065
Other financial liabilities		-6,747	-11,917
<b>Total</b>	<b>-28,592</b>	<b>-3,931</b>	<b>-23,246</b>

## Note 4 Loans and impairment

### Loan losses

NOKt	Jan-Mar 2015	Jan-Dec 2014	Jan-Mar 2014
Change in allowances for individually assessed loans	-1,514	5,992	4,823
Change in allowances for collectively assessed loans	0	551	1,000
Realised loan losses in the period	1,425	7,592	1,853
Recoveries of loan losses realised previous years		0	0
<b>Total loan losses for the period</b>	<b>-89</b>	<b>14,135</b>	<b>7,676</b>

### Reconciliation of allowance accounts for impaired loans

NOKt	Jan-Mar 2015			Jan-Dec 2014			Jan-Mar 2014		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
<b>Opening balance at beginning of period</b>	<b>28,016</b>	<b>18,095</b>	<b>46,111</b>	<b>22,023</b>	<b>17,544</b>	<b>39,567</b>	<b>22,023</b>	<b>17,544</b>	<b>39,567</b>
Provisions	1,629	0	1,629	14,144	3,275	17,419	6,974	1,000	7,974
Reversals	-1,764	0	-1,764	-1,980	-2,724	-4,704	-301	0	-301
<b>Changes through the income statement</b>	<b>-135</b>	<b>0</b>	<b>-135</b>	<b>12,164</b>	<b>551</b>	<b>12,715</b>	<b>6,673</b>	<b>1,000</b>	<b>7,673</b>
Allowances used to cover write-offs	-1,379	0	-1,379	-6,171	0	-6,171	-1,850	0	-1,850
<b>Closing balance at end of period</b>	<b>26,501</b>	<b>18,095</b>	<b>44,596</b>	<b>28,016</b>	<b>18,095</b>	<b>46,111</b>	<b>26,846</b>	<b>18,544</b>	<b>45,390</b>

### Loans and their impairment

NOKt	31 Mar 2015	31 Dec 2014	31 Mar 2014
Loans, not impaired	105,276,030	114,875,825	114,322,269
Impaired loans;	48,289	54,471	57,801
- Performing	5,157	611	4,542
- Non-performing	43,132	53,860	53,259
<b>Loans before allowances</b>	<b>105,324,319</b>	<b>114,930,296</b>	<b>114,380,070</b>
Allowances for individually assessed impaired loans;	-26,501	-28,016	-26,846
- Performing	-3,293	-3,067	-2,711
- Non-performing	-23,208	-24,949	-24,135
Allowances for collectively assessed impaired loans	-18,095	-18,095	-18,544
<b>Allowances</b>	<b>-44,596</b>	<b>-46,111</b>	<b>-45,390</b>
<b>Loans, carrying amount</b>	<b>105,279,723</b>	<b>114,884,186</b>	<b>114,334,680</b>

### Key ratios

	31 Mar 2015	31 Dec 2014	31 Mar 2014
Impairment rate, gross <sup>1</sup> , in %	0.05	0.05	0.05
Impairment rate, net <sup>2</sup> , in %	0.02	0.02	0.03
Total allowance rate <sup>3</sup> , in %	0.04	0.04	0.04
Allowance rate, impaired loans <sup>4</sup> , in %	54.9	51.4	46.4
Total allowances in relation to impaired loans, in %	92.4	84.7	78.5
Non-performing loans, not impaired <sup>5</sup> , in NOKt	305,542	254,981	276,039

<sup>1</sup> Individually assessed impaired loans before allowances divided by total loans before allowances.

<sup>2</sup> Individually assessed impaired loans after allowances divided by total loans before allowances.

<sup>3</sup> Total allowances divided by total loans before allowances.

<sup>4</sup> Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.

<sup>5</sup> 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.

NOKt	Loans and receivables	Assets at fair value through profit and loss – Held for trading <sup>1</sup>	Derivatives used for hedging	Available for sale	Non-financial assets	Total
<b>Assets</b>						
Loans to credit institutions	1,118,599					1,118,599
Loans to the public	105,279,722					105,279,722
Derivatives		433	5,591,876			5,592,309
Fair value changes of the hedged items in portfolio hedge of interest rate risk	104,641					104,641
Other assets						0
Prepaid expenses and accrued income	154,615					154,615
<b>Total 31 March 2015</b>	<b>106,657,577</b>	<b>433</b>	<b>5,591,876</b>	<b>0</b>	<b>0</b>	<b>112,249,887</b>
<b>Total 31 December 2014</b>	<b>115,330,799</b>	<b>0</b>	<b>4,733,675</b>	<b>0</b>	<b>282</b>	<b>120,064,755</b>
<b>Total 31 March 2014</b>	<b>114,913,450</b>	<b>0</b>	<b>2,557,177</b>	<b>0</b>	<b>88</b>	<b>117,470,714</b>

NOKt	Liabilities at fair value through profit and loss – Held for trading <sup>1</sup>	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
<b>Liabilities</b>					
Deposits by credit institutions			14,104,229		14,104,229
Debt securities in issue			85,024,204		85,024,204
Derivatives	94,323	222,342			316,665
Fair value changes of the hedged items in portfolio hedge of interest rate risk			1,631,353		1,631,353
Current tax liabilities				447,512	447,512
Other liabilities				2,709	2,709
Accrued expenses and prepaid income				2,945	2,945
Deferred tax liabilities				94,451	94,451
Retirement benefit obligations				5,958	5,958
Subordinated loan capital			783,539		783,539
<b>Total 31 March 2015</b>	<b>94,323</b>	<b>222,342</b>	<b>101,543,325</b>	<b>553,575</b>	<b>102,413,565</b>
<b>Total 31 December 2014</b>	<b>85,590</b>	<b>278,234</b>	<b>109,531,288</b>	<b>655,275</b>	<b>110,550,387</b>
<b>Total 31 March 2014</b>	<b>0</b>	<b>334,020</b>	<b>108,117,936</b>	<b>599,734</b>	<b>109,051,691</b>

<sup>1</sup> No assets or liabilities were classified as held for trading other than derivatives held for economic hedging in accordance with IAS 39.

## Note 6 Derivatives and hedge accounting

31 March 2015, NOKt	Fair value		Total nominal amount
	Positive	Negative	
Derivatives held for trading:			
Interest rate swaps	433	94,323	47,500,000
Total	433	94,323	47,500,000
Derivatives used for hedge accounting:			
Interest rate swaps	2,217,173	222,342	27,123,506
Currency interest rate swaps	3,374,704		14,970,453
Total	5,591,877	222,342	42,093,960
Total derivatives	5,592,309	316,665	89,593,960

31 December 2014, NOKt	Fair value		Total nominal amount
	Positive	Negative	
Derivatives held for trading:			
Interest rate swaps		85,590	35,000,000
Total	0	85,590	35,000,000
Derivatives used for hedge accounting:			
Interest rate swaps	2,190,476	278,234	30,356,492
Currency interest rate swaps	2,543,198		10,737,420
Total	4,733,675	278,234	41,093,912
Total derivatives	4,733,675	363,824	76,093,912

31 March 2014, NOKt	Fair value		Total nominal amount
	Positive	Negative	
Derivatives held for trading:			
Interest rate swaps			
Total	0	0	0
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

## Note 7 Fair value of financial assets and liabilities

NOKt	31 March 2015		31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Loans	106,502,962	106,502,962	115,145,945	115,145,945
Derivatives	5,592,309	5,592,309	4,733,675	4,733,675
Other financial assets	0	0	0	0
Prepaid expenses and accrued income	154,615	154,615	184,858	184,858
<b>Total financial assets</b>	<b>112,249,887</b>	<b>112,249,887</b>	<b>120,064,479</b>	<b>120,064,479</b>
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial liabilities</b>				
Deposits and debt instruments	101,543,325	101,544,622	109,529,995	110,828,840
Derivatives	316,665	316,665	363,824	363,824
Other financial liabilities	0	0	0	0
Accrued expenses and prepaid income	1,426	1,426	1,293	1,293
<b>Total financial liabilities</b>	<b>101,861,417</b>	<b>101,862,713</b>	<b>109,895,112</b>	<b>111,193,957</b>

The determination of fair value is described in the Annual Report 2014 note 17 Assets and liabilities at fair value.

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

### Categorisation into fair value hierarchy

	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)	Total
<b>31 March 2015, NOKt</b>				
<b>Financial assets<sup>1</sup></b>				
Derivatives		5,592,309		5,592,309
<b>Total assets</b>	<b>0</b>	<b>5,592,309</b>	<b>0</b>	<b>5,592,309</b>
<b>Financial liabilities<sup>1</sup></b>				
Derivatives		316,665		316,665
<b>Total liabilities</b>	<b>0</b>	<b>316,665</b>	<b>0</b>	<b>316,665</b>
	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)	Total
<b>31 December 2014, NOKt</b>				
<b>Financial assets<sup>1</sup></b>				
Derivatives		4,733,675		4,733,675
<b>Total assets</b>	<b>0</b>	<b>4,733,675</b>	<b>0</b>	<b>4,733,675</b>
<b>Financial liabilities<sup>1</sup></b>				
Derivatives		363,824		363,824
<b>Total liabilities</b>	<b>0</b>	<b>363,824</b>	<b>0</b>	<b>363,824</b>

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

### Determination of fair values for items measured at fair value on the balance sheet

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 2014, note 17 Assets and liabilities at fair value.

### Transfers between Level 1 and Level 2

There has not been any transfers between Level 1 and Level 2 in the first quarter of 2015. When transfers between levels occur, these are considered to have occurred at the end of the reporting period.

## Note 9 Capital adequacy

These figures are according to part 8 of CRR

### Summary of items included in own funds

NOKm	31 Mar 2015	31 Dec <sup>2</sup> 2014	31 Mar 2014
Calculation of own funds			
Equity in the consolidated situation	9,493	9,514	8,032
Proposed/actual dividend			
Common Equity Tier 1 capital before regulatory adjustments	9,493	9,514	8,032
Deferred tax assets			
Intangible assets			
IRB provisions shortfall (-) <sup>1</sup>	-81	-69	-39
Pension assets in excess of related liabilities			
Other items, net	-77	-99	28
Total regulatory adjustments to Common Equity Tier 1 capital	-158	-168	-12
<b>Common Equity Tier 1 capital (net after deduction)</b>	<b>9,335</b>	<b>9,346</b>	<b>8,021</b>
Additional Tier 1 capital before regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital			
Additional Tier 1 capital			
<b>Tier 1 capital (net after deduction)</b>	<b>9,335</b>	<b>9,346</b>	<b>8,021</b>
Tier 2 capital before regulatory adjustments	780	780	780
IRB provisions excess (+)/shortfall (-) <sup>1</sup>			-39
Deductions for investments in insurance companies			
Pension assets in excess of related liabilities			
Other items, net			
Total regulatory adjustments to Tier 2 capital			-39
Tier 2 capital	780	780	741
<b>Own funds (net after deduction)</b>	<b>10,115</b>	<b>10,126</b>	<b>8,761</b>

<sup>1</sup> Shortfall is now deducted 100% CET1, previously 50% T1, 50% T2

<sup>2</sup> Including profit

### Own Funds including profit

NOKm	31 Mar 2015	31 Dec 2014	31 Mar 2014
Common Equity Tier 1 capital, including profit	9,678	9,346	8,407
Total Own Funds, including profit	10,458	10,126	9,148

## Note 9 Capital adequacy cont.

### Minimum capital requirement and REA, Risk Exposure Amount

	31 Mar 2015 Minimum Capital requirement	31 Mar 2015 REA	31 Dec 2014 Minimum Capital requirement	31 Dec 2014 REA	31 Mar 2014 Minimum Capital requirement	31 Mar 2014 REA
<b>NOKm</b>						
<b>Credit risk</b>	<b>1,115</b>	<b>13,944</b>	<b>1,069</b>	<b>13,355</b>	<b>1,092</b>	<b>13,648</b>
– of which counterparty credit risk	101	1,266	86	1,070	48	603
IRB	996	12,454	981	12,256	1,039	12,987
– of which corporate						
– of which advanced						
– of which foundation						
– of which institutions						
– of which retail	996	12,454	981	12,256	1,039	12,987
– of which secured by immovable property collateral	928	11,604	902	11,266	954	11,921
– of which other retail	68	850	79	990	85	1,066
– of which other	0	0	0	0	0	0
Standardised	119	1,490	88	1,099	53	661
– of which central governments or central banks						
– of which regional governments or local authorities						
– of which public sector entities						
– of which multilateral development banks						
– of which international organisations						
– of which institutions	119	1,490	88	1,099	53	661
– of which corporate						
– of which retail						
– of which secured by mortgages on immovable property						
– of which in default						
– of which associated with particularly high risk						
– of which covered bonds						
– of which institutions and corporates with a short-term credit assessment						
– of which collective investments undertakings (CIU)						
– of which equity						
– of which other items						
<b>Credit Value Adjustment Risk</b>						
<b>Market risk</b>						
– of which trading book, Internal Approach						
– of which trading book, Standardised Approach						
– of which banking book, Standardised Approach						
<b>Operational risk</b>	<b>220</b>	<b>2,747</b>	<b>168</b>	<b>2,101</b>	<b>168</b>	<b>2,101</b>
Standardised	220	2,747	168	2,101	168	2,101
<b>Sub total</b>	<b>1,335</b>	<b>16,691</b>	<b>1,237</b>	<b>15,456</b>	<b>1,260</b>	<b>15,750</b>
<b>Adjustment for Basel I floor</b>						
Additional capital requirement according to Basel I floor <sup>1</sup>	2,524	31,551	2,946	36,825	2,905	36,308
<b>Total</b>	<b>3,859</b>	<b>48,242</b>	<b>4,183</b>	<b>52,281</b>	<b>4,165</b>	<b>52,058</b>

<sup>1</sup> Norwegian regulatory requirement as reported under the Basel II regulation framework

## Note 9 Capital adequacy cont.

### Minimum Capital Requirement & Capital Buffers

		Capital Buffers					
	Minimum Capital requirement	CCoB	CCyB	SII	SRB	Capital Buffers total	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

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

### NOKm

Common Equity Tier 1 capital	2,171	1,206		1,447	2,653	4,824
Tier 1 capital	2,894	1,206		1,447	2,653	5,548
Own funds	3,859	1,206		1,447	2,653	6,513

### Common Equity Tier 1 available to meet Capital Buffers

	31 Mar 2015	31 Dec <sup>1</sup> 2014	31 Mar 2014
Percentage points of REA			
Common Equity Tier 1 capital <sup>1</sup>	37.5	38.5	N/A

<sup>1</sup> Including profit of the period

### Capital ratios excluding Basel I floor

Percentage	31 Mar 2015	31 Dec 2014	31 Mar 2014
Common Equity Tier 1 capital ratio, including profit	58.0	60.5	53.4
Tier 1 capital ratio, including profit	58.0	60.5	53.4
Total capital ratio, including profit	62.7	65.5	58.1
Common Equity Tier 1 capital ratio, excluding profit	55.9	51.7	50.9
Tier 1 capital ratio, excluding profit	55.9	51.7	50.9
Total capital ratio, excluding profit	60.6	56.7	55.6

### Capital ratios including Basel I floor

Percentage	31 Mar 2015	31 Dec 2014	31 Mar 2014
Common Equity Tier 1 capital ratio, including profit	20.1	17.9	16.1
Tier 1 capital ratio, including profit	20.1	17.9	16.1
Total capital ratio, including profit	21.7	19.4	17.6
Common Equity Tier 1 capital ratio, excluding profit	19.3	15.3	15.4
Tier 1 capital ratio, excluding profit	19.3	15.3	15.4
Total capital ratio, excluding profit	21.0	16.8	16.8

### Leverage ratio

	31 Mar 2015	31 Dec <sup>1</sup> 2014	31 Mar <sup>2</sup> 2014
Tier 1 capital, transitional definition, NOKm	9,335	9,346	N/A
Leverage ratio exposure, NOKm	126,289	132,111	N/A
Leverage ratio, percentage	7.4	7.1	N/A

<sup>1</sup> Including profit of the period

<sup>2</sup> No reference in Q1.2014 due to Norway not being in CRD IV/CRR



## Note 9 Capital adequacy cont.

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

	On-balance exposure, NOKm	Off-balance exposure, NOKm	Exposure value (EAD), NOKm <sup>1</sup>	-of which EAD for off-balance, NOKm	Exposure- weighted average risk weight:
Retail, of which secured by real estate:	101,482	12,692	105,581	4,099	11.0
– of which scoring grades A	74,564	10,966	78,106	3,541	4.8
– of which scoring grades B	14,993	1,197	15,379	387	11.0
– of which scoring grades C	5,535	315	5,637	102	22.7
– of which scoring grades D	3,654	138	3,698	45	43.7
– of which scoring grades E	1,425	66	1,447	21	72.9
– of which scoring grades F	733	9	736	3	113.8
– of which not scored					
– of which defaulted	578	1	578	0	235.0
Retail, of which other retail:	3,997	1,496	4,480	483	19.0
– of which scoring grades A	2,596	1,251	3,000	404	8.4
– of which scoring grades B	655	146	702	47	17.6
– of which scoring grades C	328	57	346	18	31.1
– of which scoring grades D	203	30	213	10	44.8
– of which scoring grades E	81	10	84	3	51.4
– of which scoring grades F	46	0	46	0	74.3
– of which not scored					
– of which defaulted	88	1	89	0	219.7
Other non credit-obligation assets:	0		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.

<sup>1</sup>Includes EAD for on-balance, off-balance, derivatives and securities financing

## 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 2014.

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 unsecured funding to Nordea Eiendomskreditt, and at the end of first quarter 2015 such borrowings amounted to NOK 14.1 billion.

Loans to the public, which constitute Nordea Eiendomskreditt's cover pool, are purchased from Nordea Bank Norway. Instalments, early redemptions and refinancings will over time 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, if deemed necessary to maintain the level of overcollateralization. Due to bond maturities in the first quarter of 2015, no new transfer of loans from Nordea Bank Norge ASA to Nordea Eiendomskreditt AS has been undertaken so far in 2015.

Transferred loans are continued to be managed by Nordea Bank Norge. For this service Nordea Eiendomskreditt has paid Nordea Bank Norge an amount of NOK 37.0 million in the first three months of 2015.

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

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