Nordea

Annual Report 2015

Nordea Eiendomskreditt AS

Nordea Eiendomskreditt AS is part of the Nordea group. Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. Nordea is making it possible for the customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 11 million customers, approximately 650 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.

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Key financial figures

Summary of the income statement (NOK mill.)

	2015	2014
Net interest income	**1 587**	**2 059**
Net result from items at fair value	-9	-23
Other income	44	47
Total operating income	**1 622**	**2 083**
Staff costs	-3	-3
Other expenses	-155	-155
Total operating expenses	**-158**	**-158**
Loan losses	33	14
Operating profit	**1 431**	**1 911**
Income tax expense	343	553
Net profit for the year	**1 088**	**1 359**

Summary of the balance sheet (NOK mill.)

	2015	2014
Loans to the public	106 508	114 930
Allowance for loan losses	-76	-46
Other assets	8 905	5 181
Debt securities in issue	81 160	89 982
Other liabilities	23 626	20 569
Equity	10 551	9 514
Total assets	**115 337**	**120 065**
Average total assets	111 789	117 087

Ratios and key figures

	2015	2014
Earnings per share (NOK)	71.0	88.6
Equity per share [1] (NOK)	688.0	620.4
Shares outstanding [1], million	15.3	15.3
Post-tax return on average equity	10.8 %	15.4 %
Cost/income ratio	9.7 %	7.6 %
Common Equity Tier 1 capital ratio, excl. Basel I floor [1, 2]	64.1 %	60.5 %
Tier 1 capital ratio, excl. Basel I floor [1, 2]	64.1 %	60.5 %
Total capital ratio, excl. Basel I floor [1, 2]	68.9 %	65.5 %
Common Equity Tier 1 capital ratio, incl. Basel I floor [1, 2]	21.5 %	17.9 %
Tier 1 capital ratio incl. Basel I floor [1, 2]	21.5 %	17.9 %
Total capital ratio incl. Basel I floor [1, 2]	23.2 %	19.4 %
Own funds (NOK mill.) [1, 3]	11 224	10 126
Risk Exposure Amount incl. Basel I floor (NOKm) [1]	48 469	52 281

[1] At the end of the period

[2] Including profit

Board of Directors' Report

Introduction

Nordea Eiendomskreditt AS was first incorporated in 1927 as a credit association known as Norges Hypotekforening for Næringslivet. During the course of autumn 2009, the company's commercial property lending activities were sold to the parent bank, Nordea Bank Norge ASA (NBN). With effect from 2010 the company has operated solely as a mortgage credit institution with the business objective to grant and acquire residential mortgage loans and to fund its lending activities primarily via issuance of covered bonds.
The company's registered address is in Oslo, but its employees are located in Bergen.

The company's share capital amounts to NOK 1,687m, made up of 15,336,269 ordinary shares, each of nominal value NOK 110. The entire issued share capital is owned by Nordea Bank Norge ASA.

Comments on the Income Statement

Income

Total operating income was NOK 1,622m (compared to NOK 2,083m in 2014) which gives a decrease of 22%, mainly driven by lower Net interest income.

Net interest income was NOK 1,587m in 2015 (NOK 2,059m in 2014). The decrease is partly due to changes in the size of the lending portfolio and partly due to changes in the interest rate margin in 2015 compared to 2014. The lower interest rates margins reflect the current market conditions with offered rates at lower levels. Average lending volume was 7.12% lower in 2015 compared to 2014.

Net fee and commission income decreased from 2014 to 2015 and ended at NOK 43.6m (NOK 47.2m in 2014). The income regards lending related commissions, and the decrease is explained by a lower lending portfolio in 2015.

Net result from items at fair value ended at a cost of NOK 9.2m in 2015 (cost of NOK 23.2m in 2014). In accordance with IFRS, net result from items at fair value includes both realized gain/loss from buy-backs of own bonds and corresponding interest rate swaps, and fair value changes of interest rate swaps and the corresponding hedged items (fixed-rate lending and fixed-rate bonds) due to changes in market rates. The net change in value of interest rate swaps and hedged balance sheet items amounted to NOK -9.2m in 2015 (NOK -11.3m in 2014).

Expenses

Total operating expenses stayed at the same level as previous year, and ended at NOK 157.7m. The cost related to management of the lending portfolio and customer contact, a service that is purchased from the parent bank, stands for 90% of the operating expenses, and has remained at approximately the same level as in 2014. The company also purchases services related to funding and risk management, accounting and reporting from NBN and Nordea Bank AB. Total operating expenses were equivalent to 0.14% of average total assets (0.13%). Nordea Eiendomskreditt AS does not incur any costs for research and development activities.

Loan losses

Net loan losses for 2015 ended at NOK 33.0m. Allowances for collectively assessed loans were increased by NOK 25.6m during the year, due to implementation of an improved model for calculating collectively assessed provisions on non-performing loans without individually assessed provisions. Loan losses for individually assessed loans were NOK 7.4m. Comparable figures for 2014 were an increase in collective allowances of NOK 0.6m and loan losses for individually assessed loans of NOK 13.5m, in total a net cost of NOK 14.1m.

Taxes

Taxes for the year amounted to NOK 342.6m, of which NOK 352.3m relates to tax payable, NOK 26.1m was due to changes in deferred tax and NOK -35.8m is a correction of taxes for previous years.

Net profit

Net profit for the year amounted to NOK 1,088.3m (compared to NOK 1,358.4m for 2014). This gives a return on average equity of 10.8% (15.4%).

Comments on the Balance Sheet

Assets and lending activities

Gross lending to customers at 31 December 2015 amounted to NOK 106.5bn compared to NOK 114.9bn at the end of 2014, representing a decrease of 7.4%. Gross lending consists only of residential mortgage loans and loans to holiday homes, used as collateral in securing the covered bonds issued by the company. NOK 96.8bn 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 27.0% in relation to the covered bonds issued.

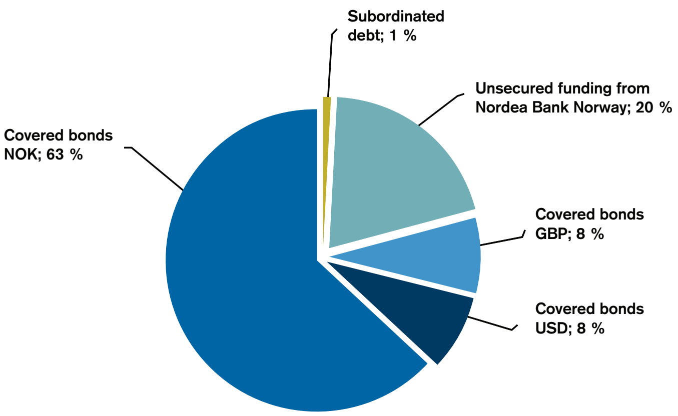
Liabilities and funding activities

Nordea Eiendomskreditt's main funding source is issuance of covered bonds. Covered bonds are debt instruments, regulated by the Norwegian Act on Financing Activity and Financial Institutions (Financial Institutions Act, that gives investors a preferential claim into a pool of high quality assets in case of the issuer's insolvency. Norwegian covered bonds can only be issued by mortgage credit institutions

that holds a licence from the Norwegian FSA and whose articles of association comply with certain mandatory requirements. The cover pool in Nordea Eiendomskreditt consists only of Norwegian residential mortgage loans and loans to holiday homes in Norway.
During 2015 Nordea Eiendomskreditt has issued covered bonds amounting to NOK 9.4bn in the Norwegian domestic market under its NOK 100bn domestic covered bond program and GBP 125m under the EUR 10bn EURO program. Issuance in NOK is done via taps of outstanding and new bonds via designated dealers. As of 31 December 2015, Nordea Eiendomskreditt had outstanding covered bonds totalling NOK 64.1bn in the Norwegian market, USD 1.0bn in the US market and GBP 0.625 bn in the British market. On the 30th January 2015 the final NOK 10bn of the bond issued in connection with the swap arrangements provided by the Norwegian government, matured. Nordea Eiendomskreditt had also subordinated debt outstanding to the amount of NOK 0.78bn.

In addition to the long term funding Nordea Eiendomskreditt also raised short term unsecured funding from the parent bank. At the end of 2015 such borrowings amounted to NOK 20.0bn.

The following figure shows the company's funding structure as at 31 December 2015



Equity
Shareholder's equity ended at NOK 10,551m at 31 December 2015. This includes net profit for the year of NOK 1,088m.

Allocation of net profit for the year
Nordea Eiendomskreditt AS reported an operating profit for the year of NOK 1,431m, and a net profit after tax for the year of NOK 1,088.

According to IFRS, distribution of group contributions and dividends will not be booked before formal decision is made in the Annual General Meeting. All net profit as of 31 December 2015 will therefore be distributed to retained earnings in the balance sheet as of 31 December 2015. The Board of Directors will propose to the Annual General Meeting on 4 March 2016 that the company distribute a group contribution of NOK 1,078m to the parent company Nordea Bank Norge ASA and a net profit of NOK 10m to the company's equity reserves.
The Board of Nordea Eiendomskreditt is of the view that total equity and capital adequacy following the allocation will be sound, and well in excess of the minimum requirements laid down by the Basel capital adequacy regulations and the Norwegian Capital Adequacy Regulation of 14 December 2006.

Off-balance sheet commitments
The company's business operations include different off-balance sheet items. Interest rate and currency swaps are used to hedge interest rate and currency risk. At the close of 2015, the company was party to interest rate swaps with a nominal value of NOK 86.2bn.

Nordea Eiendomskreditt has covered bonds totalling USD 1.0bn issued in the US market in 2011 and GBP 0.625bn issued in the British market in 2014 and 2015. In order to eliminate the foreign exchange risk, the company has entered into currency swaps of the same amount.
Nordea Bank Norge ASA is counterparty to all derivative contracts. For total exposure regarding off-balance sheet commitments, see note 9 Derivatives and hedge accounting and note 14 Commitments.

Other information
The Board's expectations for the year were, in all major respects, achieved.

The Board of Directors confirms the assumption that Nordea Eiendomskreditt AS is a going concern and the annual accounts have been prepared based on this assumption.

Rating
The covered bonds issued by Nordea Eiendomskreditt are rated Aaa by Moody's Investors' Service.

Risk, liquidity and capital management
Management of risk, liquidity and capital are key success factors in the financial services industry. Exposure to risk is inherent in providing financial services, and the Nordea Group assumes a variety of risks in its ordinary business activities, the most significant being credit risk. The maintaining of risk awareness within the organisation is ingrained in the business strategies. Nordea has clearly defined risk, liquidity and capital management frameworks, including policies and instructions for different risk types, capital adequacy and for the capital structure. This section describes how risk, liquidity and capital management is handled in the Nordea Group. Nordea Eiendomskreditt is wholly integrated in the Nordea Group's risk and capital management in its applicable parts.

Management principles and control

The Group Board has the ultimate responsibility for limiting and monitoring the group's risk exposure as well as for setting the targets for the capital ratios. Risk is measured and reported according to common principles and policies approved by the Group Board, which also decides on policies for credit risk, counterparty credit risk, liquidity risk, business risk, operational risk and compliance risk as well as the ICAAP. All policies are reviewed at least annually.

Responsibility of CEO and GEM

The Chief Executive Officer (CEO) has the overall responsibility for developing and maintaining effective risk, liquidity and capital management principles and control in the Nordea Group.

The CEO and Group Executive Management (GEM) regularly review reports on risk exposure and have established a number of committees for risk, liquidity and capital management, the most essential for Nordea Eiendomskreditt being:

- The Asset and Liability Committee (ALCO), chaired by the Group Chief Operating Officer (COO), prepares issues of major importance concerning the Group's financial operations and balance sheet risks, either for decision by the CEO in GEM, or for recommendation by the CEO in GEM and for decision by the Group Board.
- The Risk Committee, chaired by the Chief Risk Officer (CRO), oversees the management and control of the Nordea Group's risks at an aggregate level and evaluates the sufficiency of the risk frameworks, controls and processes associated with these risks.
- The Group Executive Management Credit Committee (GEM CC) is chaired by the CEO and Executive Credit Committee (ECC) is chaired by the CRO, while the Group Credit Committee Retail Banking (GCCR) and the Group Credit Committee Wholesale Banking (GCCW) are chaired by the Chief Credit Officer (CCO). These credit committees decide on major credit risk customer limits.

Risk reporting

Risk reporting including reporting the development of REA (Risk Exposure Amount) is regularly made to GEM and the Board of Directors. Group Internal Audit (GIA) makes an independent evaluation of the processes regarding risk and capital management in accordance with the annual audit plan. A separate risk description is reported to the Board of Directors in Nordea Eiendomskreditt once a year according to Norwegian legislation requirements.

Disclosure requirements of the CRR – Capital and risk management report 2015

Additional information on risk and capital management is presented in the Capital and Risk Management Report 2015, in accordance with the Capital Requirements Regulation (CRR), which is based on the Basel III framework issued by the Basel Committee on Banking Supervision. The report is available at www.nordea.com.

Risk management

Credit risk management

Group Risk Management in Nordea is responsible for the credit process framework and the credit risk management framework, consisting of policies, instructions and guidelines for the Nordea Group. Group Risk Management is also responsible for controlling and monitoring the quality of the credit portfolio and the credit process.

Credit risk definition and identification

Credit risk is defined as the risk of loss if counterparts fail to fulfil their agreed obligations and that the pledged collateral does not cover the claims. Credit risk stems mainly from various forms of lending, but also from guarantees and documentary credits, counterparty credit risk in derivatives contracts, transfer risk attributable to the transfer of money from another country and settlement risk. Credit risk in Nordea Eiendomskreditt is mainly related to the lending portfolio. The major part of the lending portfolio is secured by collateral with loan amounts not exceeding 75% of the value of the pledged real estate. The risk of material losses in the portfolio is therefore considered to be limited.

Credit risk mitigation

Credit risk mitigation is an inherent part of the credit decision process. In every credit decision and review, the valuation of collaterals is considered as well as the adequacy of covenants and other risk mitigations. Pledging of collateral is the main credit risk mitigation technique.

Individual and collective assessment of impairment

The loan portfolio is regularly reviewed in order to identify potential loan losses. A provision is recognized if there is objective evidence based on loss events and observable data that the customer's future cash flow is weakened to the extent that full repayment is unlikely, collateral included. Exposures with provision are considered as impaired. The size of the provision is equal to the estimated loss being the difference between the book value and the discounted value of the future cash flow, including the value of pledged collateral. Impaired exposures can be either performing or non-performing.

Exposures that have been past due more than 90 days are automatically regarded as defaulted and non-performing, and reported as impaired or not impaired depending on the deemed loss potential.

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

In addition to individual impairment testing of all individually significant customers, collective impairment testing is performed for groups of customers that have not been found to be impaired on individual level. The collective impairment is based on the migration of scored customers in the credit portfolio as well as management judgement. The assessment of collective impairment reacts to up- and down-ratings of customers as well as new customers and customers leaving the portfolio. Also customers going to and from default affect the calculation. Collective impairment is assessed quarterly for each legal unit. The rationale for this two-step procedure with both individual and collective assessment is to ensure that all incurred losses are accounted for up to and including each balance sheet day.

Further information on credit risk is presented in Note 23 Credit risk disclosures.

Credit portfolio
Credit risk is measured, monitored and segmented in different ways. On-balance lending constitutes the major part of the credit portfolio and the basis for impaired loans and loan losses. Credit risk in lending is measured and presented as the principle amount of on-balance sheet claims, i.e. loans to credit institutions and the public-, and off-balance sheet potential claims on customers and counterparts, net after allowances. Credit risk exposure also includes the risk related to derivative contracts.

Nordea Eiendomskreditt's total lending to the public decreased by 7.4% to NOK 106.5bn during 2015 (NOK 114.9bn). The portfolio includes residential mortgage loans as well as loans to holiday homes, secured by properties in Norway. Including off-balance sheet exposures the total credit risk exposure at year end was NOK 120.7bn (NOK 129.9bn).

Lending to credit institutions amounted to NOK 143.7m at the end of the year (NOK 144.5m), all of which was placed in the parent bank as cash accounts, payable on demand. Nordea Eiendomskreditt also has interest bearing securities amounting to NOK 1,498m at the end of 2015.

Rating and scoring distribution
One way of assessing credit quality is through analysis of the distribution across risk grades for scored household customers. Information on scoring distribution in the lending portfolio is shown in Note 24 Scoring distribution of the lending portfolio.

Impaired loans
Impaired loans gross in Nordea Eiendomskreditt increased during the year from NOK 54.4m in 2014 to NOK 459.4m in 2015, corresponding to 43 bp of total loans (5 bp). The increase relates to an improved way of calculating collectively assessed provisions on contract level, which has been implemented in Q4-2015. In 2014 only loans with individually assessed provision were included in impaired loans, whereas in 2015 also non-performing loans with collectively assessed provision are included. 34% (1%) of impaired loans gross are performing loans and 66% (99%) are non-performing loans. Impaired loans net, after allowances, amounted to NOK 427.6m (NOK 26.5m), corresponding to 40 bp of total loans (2bp).

Allowances for individually assessed loans increased from NOK 28.0m to NOK 31.8m. Allowances for collectively assessed loans increased from NOK 18.1m to NOK 43.7m.

The volume of past due loans to household customers decreased to NOK 1,156m (NOK 1,715m) in 2015. Nordea Eiendomskreditt has not taken over any properties for protection of claims due to default.

Loan losses amounted to NOK 33.0m in 2015 (NOK 14.1m in 2014). This corresponds to a loan loss ratio of 3 basis points.

Counterparty credit risk
Counterparty credit risk is the risk that Nordea Eiendomskreditt's counterpart in an interest or currency derivative contract defaults prior to maturity of the contract and that Nordea Eiendomskreditt at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions. The exposure at the end of 2015 for Nordea Eiendomskreditt was NOK 7,282m (NOK 5,351m), of which the current exposure net (after close-out and collateral reduction) represents NOK 6,561m (NOK 4,370m). 100% of the exposure and 100% of the current exposure net was towards financial institutions.

Market risk
Market risk is defined as the risk of loss in Nordea Eiendomskreditt's holdings and transactions as a result of changes in market rates and parameters that affect the market value, for example changes to interest rates, credit spreads and FX rates. The basic principle is that market risks are eliminated by matching assets, liabilities and off-balance sheet items.

Measurement of market risk
Nordea Eiendomskreditt quantifies its exposure to interest rate risk by using a simulated 1% parallel shift in the yield

curve. Interest rate risk is accordingly equivalent to the change in value of the portfolio of assets and liabilities exposed to interest rate risk in the event of a 1% parallel shift of the respective yield curves.

At the close of 2015, Nordea Eiendomskreditt's interest rate sensitivity was NOK –27m calculated in relation to a parallel shift in the yield curve of 1 percentage point. This implies that Nordea Eiendomskreditt AS would gain NOK 27m in the event of a decrease in all interest rates by one percentage point. In this context, 'gain' refers to an increase in the discounted current value of equity capital. This is not the figure that would be reported in the income statement. The effect of the change in value would materialise in the form of a change in net interest income over future years. The equivalent interest rate sensitivity at the close of 2014 was NOK –14m.

Further information on the methods used in the Nordea Group for managing and measuring interest rate risk can be found in the Nordea Annual Report at www.nordea.com.

Nordea Eiendomskreditt operates with a policy of hedging all currency risk. All assets and liabilities of any material amount that are denominated in foreign currencies are hedged through currency swaps. A change in foreign exchange rate will therefore not have any impact on the net result for the year or on the equity.

Operational risk

Operational risk is defined as the risk of direct or indirect loss, or damaged reputation, resulting from inadequate or failed internal processes, from people and systems, or from external events. Operational risk includes legal risk and is inherent in all activities within the organisation, in outsourced activities and in all interactions with external parties.

Nordea Eiendomskreditt operates an organisational structure with only two employees, and its operations are based to a very large extent on purchasing services from the Nordea Group. Contracts have been entered into in this respect with the relevant units. The company's risk management is based in part on the parent bank's management of operational risk in accordance with defined Group Directives and reporting requirements.

Managing operational risk is part of the management's responsibilities. The operational risks are monitored through regular risk assessment procedures and a systematic, quality and risk focused management of changes. Development of new products, services, activities as well as processes and systems shall be risk assessed. Identified risk elements and consequences of risk events are mitigated with, inter alia, up to date Business Continuity Plans.

The key principle for the management of Operational risks is the three lines of defence. The first line of defence is represented by the Business Areas and Group Functions who are responsible for their own daily risk management and for operating their business within limits for risk exposure and in accordance with decided framework for internal control and risk management at first line of defence. The control function Group Operational Risk in Group Risk Management is in the second line of defence and is responsible for activities such as independently monitoring, controlling and reporting on issues related to key risks. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes in third line of defence. Group Internal Audit also produces reports for the Board of Directors of Nordea Eiendomskreditt on risk management, internal control and monitoring procedures. Further information on the management of operational risk in Nordea can be found in the Nordea Annual Report at www.nordea.com.

Compliance risk

Nordea defines compliance risk as the risk to fail to comply with laws, regulations, rules and prescribed practices and ethical standards, governing Nordea's activities in any jurisdiction, which could result in material financial or reputational loss to the Group, regulatory remarks or sanctions.

The key principle for the management of compliance risk is the three lines of defence. The first line of defence represented by the Business Areas and Group Functions, are risk owners, and are responsible for their own daily risk management and control of compliance risks. Management on all levels are responsible for operating their business within defined limits for risk exposure and in accordance with decided directives, instructions and risk management processes, and for implementing and executing Group level and Business Area level instructions and guidelines.

Group Compliance is a second line of defence risk control function in the Group, coordinating, facilitating and overseeing the effectiveness and integrity of the Group's compliance risk management. Group Compliance provides an independent view on compliance to relevant rules and regulations, to a large degree based on carried out monitoring activities. Furthermore, Group Compliance also advises and supports first line on ways to effectively and efficiently handle compliance obligations. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes in third line of defence.

Liquidity risk

Liquidity risk management

Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due. Nordea Eiendomskreditt's liquidity management is an integral part of the Nordea Group's liquidity risk management.

Policy statements stipulate that Nordea's liquidity management reflects a conservative attitude towards liquidity risk. Nordea strives to diversify the Group's sources of funding and seeks to establish and maintain relationships with investors in order to manage the market access. Broad and diversified funding structure is reflected by the strong presence in the Group's four domestic markets in the form of a strong and stable retail customer base and the variety of funding programs.

Nordea's liquidity risk management includes stress testing and a business continuity plan for liquidity management. Stress testing is defined as the evaluation of potential effects on a bank's liquidity situation under a set of exceptional but plausible events. Group Treasury & ALM is responsible for managing the liquidity and for compliance with the group-wide limits from the Boards of Directors and CEO in GEM.

Liquidity risk measurement methods
The liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. In order to manage short-term funding positions, Nordea measures the funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. To ensure funding in situations where Nordea is in urgent need of cash and the normal funding sources do not suffice, Nordea holds a liquidity buffer. Limit is set by the Board of Directors for the minimum size of the liquidity buffer.

Since 2011 Survival horizon metric is being used. The Board of Directors has set a limit for minimum survival without access to market funding to 30 days. Nordea is also compliant with EBA Delegated Act LCR, which came into force in October 2015. The structural liquidity risk of Nordea is measured and limited by the Board of Directors through the Net Balance of Stable Funding (NBSF), which is defined as the difference between stable liabilities and stable assets.

In addition to its own series of issued bonds, Nordea Eiendomskreditt AS has access to credit facilities from its parent bank at market rates, and holds its own liquidity buffer. This means that the company's exposure to liquidity risk is low. Nordea Eiendomskreditt AS adjusts the volume of its short-term funding on a daily basis.

For additional information on maturity analysis, see Note 20 Maturity analysis for assets and liabilities.

Capital management
Nordea strives to be efficient in its use of capital and therefore actively manages its balance sheet with respect to assets, liabilities and risk. The goal is to enhance returns to shareholders while maintaining a prudent capital structure.

Minimum capital requirements
Risk exposure amount (REA) is calculated in accordance with the adjusted Norwegian rules for calculating capital requirements. Nordea Eiendomskreditt had 88.9% of its REA covered by internal rating based (IRB) approaches by the end of 2015. For operational risk the standardised approach is applied.

Internal capital requirement
Nordea bases its internal capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) on risks defined by CRD IV/CRR, and risks internally defined under Pillar II.

The following major risk types are included in the internal capital requirement: credit risk, market risk, operational risk, interest rate risk in the banking book and business risk.

The ICAAP also describes Nordea's management, mitigation and measurement of material risks and assesses the adequacy of internal capital by defining internal capital requirements reflecting the risk of the institution. Regulatory buffers were introduced with the implementation of the CRD IV/CRR rules.

Economic Profit (EP)
Nordea uses EP as one of its financial performance indicators. EP is calculated as risk-adjusted profit less the cost of equity. Risk-adjusted profit and EP are measures to support performance management and for shareholder value creation. In investment decisions and customer relationships, EP drives and supports the operational decision making process in Nordea. The EP model also captures both growth and return. Economic capital (EC) and expected losses (EL) are inputs in the EP framework.

Expected loss (EL)
EL reflects the normalised loss level of the individual credit exposure over a business cycle as well as various portfolios. EL is a more stable measure than actual losses, but it will vary with the business cycle as a consequence of shifts in the repayment capacity (PD dimension) and collateral coverage (LGD dimension) distributions.

Own funds
Own funds is the sum tier 1 and tier 2 capital. Tier 1 capital consists of both common equity tier 1 (CET1) and additional tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbance characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend. Additional tier 1 and tier 2 capital consist mostly of undated and dated subordinated loans, respectively. Holdings of other financial sector entities' subordinated loans are deducted from the corresponding tier.

Summary of items included in own funds

NOKm	31 Dec 2015	31 Dec 2014
Calculation of own funds		
Equity	10 551	9 514
Proposed/actual dividend		
Common Equity Tier 1 capital before regulatory adjustments	**10 551**	**9 514**
Deferred tax assets		
Intangible assets		
IRB provisions shortfall (–)[1]	-61	-69
Deduction for investments in credit institutions (50%)		
Pension assets in excess of related liabilities		
Other items, net	-46	-99
Total regulatory adjustments to Common Equity Tier 1 capital	**-107**	**-168**
Common Equity Tier 1 capital (net after deduction)	**10 444**	**9 346**
Additional Tier 1 capital	0	0
Tier 1 capital (net after deduction)	**10 444**	**9 346**
Tier 2 capital before regulatory adjustments	**780**	**780**
IRB provisions excess (+)/shortfall (–)[1]		
Other items, net		
Total regulatory adjustments to Tier 2 capital	**0**	**0**
Tier 2 capital	**780**	**780**
Own funds (net after deduction)[2]	**11 224**	**10 126**

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

[2] Including profit

Capital Adequacy

The net own funds of Nordea Eiendomskreditt amounted to NOK 11,224m at the end of 2015, of which NOK 780m is a subordinated loan.

The Tier 1 capital ratio at the close of 2015 including the Basel I floor was 21.5% (17.9%), and the total capital ratio including Basel I floor was 23.2% (19.4%). The total capital ratio requirement including Basel I floor is 15.5%, comprising of a minimum total capital ratio of 8.0% and capital buffers of 7.5%.

Further information – Note 15 Capital adequacy and the Capital and Risk Management (Pillar III) report

Further information on capital management and capital adequacy is presented in Note 15 Capital adequacy and in the Capital and Risk Management Report 2015 at www.nordea.com.

New regulations

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

In Norway, the CRD IV/CRR and associated regulatory standards are not incorporated in the EEA agreement. The latest official progress related to the incorporation of CRD IV/CRR in the EEA agreement was published 14 October 2014, where the Finance Ministers from Iceland, Liechtenstein, Norway and the European Union announced that a solution had been found on the incorporation of the EU Regulations establishing the European Supervisory Authorities into the EEA Agreement. A Proposition will need an approval with a three quarter majority in the Norwegian Parliament but has not yet been published.

However, main provisions from the CRD IV/CRR rules have been introduced in the Norwegian regulation as well as national regulations. A major deviation to CRD IV/CRR is that the Basel I floor related to REA is not removed and that capital requirement to the SME segment is not implemented as well as other technical rules that remain to be included. The minimum capital requirements are harmonised with a CET1 capital ratio of 4.5%, a Tier 1 ratio of 6% and a total capital ratio of 8%. In addition, a capital conservation buffer of 2.5% CET1 applies. The systemic risk buffer is set to 3%. The current countercyclical capital buffer of 1% will be increased to 1.5% from 30 June 2016. Furthermore, the Ministry of Finance maintained its decision, in June, that Nordea Bank Norge, together with two other banks, are considered as systemically important institutions and must therefore hold an additional buffer of 1% CET1 from 1 July, to be increased to 2% from 1 July 2016. The buffer requirement is the same for the three institutions and applies on all levels.
In October 2013, stricter risk weights were adopted for residential mortgages for Norwegian regulated IRB banks, through an LGD floor of 20%. In July 2014, the Financial Supervisory Authority issued a new guideline regarding supervisory practices introducing additional national adjustments to PD and LGD to the IRB models to mortgages in Norway, with effect from first quarter 2015.

Updates on Basel III and the CRD IV/CRR

On 10 December 2015 the Basel Committee on Banking Supervision (BCBS) released a second consultative document on revisions to the standardised approach for credit risk. The proposal differs in several ways from the initial proposal published in December 2014. The previous proposal removed all references to external credit ratings and assigned risk weights based on a limited number of alternative risk drivers. The new proposal reintroduces the use of ratings for exposures to banks and corporates. The intention from the BCBS is to finalise the work by end 2016.

On 14 January 2016 the BCBS published revised market risk framework, "Minimum capital requirements for market risk". The key features of the framework includes a revised boundary, revised internal models, revised standardised approach, a shift from value-at-risk to an expected shortfall measure of risk under stress and the incorporation of the risk of market illiquidity. The framework enters into force on 1 January 2019.

On 1 July 2015 the Basel Committee published a consultative document on the review of the CVA risk framework. The objectives of the review are to ensure that all important drivers of CVA risk and CVA hedges are covered in the framework, to align the framework with various accounting regimes and to ensure consistency with the revised market risk framework. The proposal includes an internal models approach and a standardised approach for CVA risk. The intention from the Basel Committee is that the revised CVA framework is to be finalised in mid 2016.

On 6 October 2014 the Basel Committee published a consultative document on the revision of the simpler approaches for operational risk. It has been stated that there will be a second consultation on this during 2016 together with major changes to the advanced approach for operational risk (AMA).

On 22 December 2014 the BCBS published a consultation on the design of a permanent floor, replacing the current Basel I (transitional) floor. The proposal is that the floor shall be based on the revised standardised approaches for credit-, market- and operational risks. The intention from the BCBS is to finalise the design and calibration of the floor by end 2016.

The BCBS will finalise the calibration of the leverage ratio during 2016 in order to implement it as a pillar 1 requirement by 1 January 2018. In a statement on 11 January 2016 it was stated that the leverage ratio will be based on a Tier 1 definition and should comprise a minimum level of 3% with the possibility to set additional requirement on G-SIBs.

Bank Recovery and Resolution Directive
The Banking Recovery and Resolution Directive (BRRD) outlines the tools and powers available to the relevant authorities in the EU, which are aimed at both preventing bank defaults as well as handling banks in crises, while maintaining financial stability. The BRRD require banks to draw up recovery plans to describe the measures they would take in order to remain viable if their financial situation is considerably weakened. The BRRD also sets the minimum requirement for own funds and eligible liabilities (MREL) for all EU banks. The BRRD is not yet incorporated in the EEA agreement, why it has not been implemented in Norway. The intention is, however, to implement national legislation that resembles the BRRD. Simultaneously the nation resolution authorities are set up as are national resolution funds.

In November the Financial Stability Board (FSB) published the final standards on the total loss absorbing capacity (TLAC). The TLAC is intended to ensure adequate availability of loss-absorbing capacity for global systemic banks in resolution, similar to the MREL. The TLAC requirement will not be applied before 2019. Work is ongoing to align the TLAC and MREL frameworks within the European legislation.

Bank structural reform
The European Commission published a proposal for Bank Structural Reform in January 2014. The Commission proposal to ban proprietary trading and separate certain trading activities based on supervisory assessment was discussed both in the European Parliament and in the Council during 2015, where the Council reached a general approach but where a final agreement has not yet been reached within the Parliament. It is expected that the negotiations in the Trilogue will start during 2016. Time for finalisation and possible implementation is still unclear.

Accounting
Nordea's accounting policies, which follow IFRS, are under change. Nordea's assessment is that the most important changes are related to Financial Instruments (IFRS 9) and Insurance Contracts (IFRS 4), although other changes might also have an impact on Nordea. IFRS 9 will become mandatory from 2018 if endorsed in the EU. The finalisation dates and effective dates for the amended IFRS 4 is still pending.

Internal control process

The Internal Control Process is carried out by the Board of Directors, management and other staff at Nordea and is designed to provide reasonable assurance regarding objective fulfilment in terms of effectiveness and efficiency of operations, reliability of financial and non-financial reporting, compliance with external and internal regulations, safeguarding of assets as well as sufficient management of risks in the operations. The Internal Control Process is based on five main components: Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring. The framework for the Internal Control Process aims to create the necessary fundamentals for the entire organization to contribute to the effectiveness and high quality of internal control through, for instance, clear definitions, assignments of roles and responsibilities and common tools and procedures.

Roles and responsibilities with respect to internal control and risk management are divided into three lines of defence. In the first line of defence, the business organisation and Group Functions are risk owners, and thus responsible for conducting their business within risk exposure limits and risk appetite and in accordance with the decided internal control and risk management framework. As second line of defence, the centralized risk control functions are responsible for activities such as, identifying, assessing, monitoring, controlling and reporting of issues related to all key risks including compliance with internal and external frameworks. Group Internal Audit performs audits and provides assurance to stakeholders on governance, risk management and internal controls, which is the third line of defence.

Report on internal control and risk management regarding financial reporting

The systems for internal control and risk management over financial reporting are designed to give reasonable assurance concerning reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS, applicable laws and regulations in Norway, and other requirements for listed companies. The internal control and risk management activities in Nordea Eiendomskreditt are carried out in accordance with Nordea Group Principles and are included in Nordea's planning and resource allocation processes. Internal control and risk management regarding financial reporting in Nordea can be described in accordance with the original COSO Framework (Internal Control – Integrated framework, by the Committee of Sponsoring Organizations of the Treadway commission) as follows below.

Control environment

The control environment constitutes the basis for Nordea's internal control and contains the culture and values established by the Board of Directors and Executive Management. A clear and transparent organisational structure is of importance for the control environment. Nordea's business structure aims to support the overall strategy, with a strong business momentum and increased requirements on capital and liquidity. The business and the organization are under continuous development.

Risk assessment in relation to reliable financial reporting involves the identification and analysis of risks of material misstatements. Financial risk control work in Nordea Eiendomskreditt focuses on risks and processes which could lead to material financial misstatements, i.e. if, in the light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item. Structured risk assessment procedures determines in which divisions, locations and/ or processes risks for material financial misstatements exist and therefore will need to be monitored under the AKC framework to ensure reasonable assurance of the reliability of Nordea's external financial reporting.

Risk assessment

The Board of Directors in the Nordea Group bears the ultimate responsibility for limiting and monitoring Nordea's risk exposure, and risk management is considered as an integral part of running the business. The main responsibility for performing risk assessments regarding financial reporting lies with the business organisation. Performing risk assessments close to the business increases the possibility of identifying the most relevant risks. In order to govern the quality of the risk assessment process, governing documents from central functions stipulate when and how these assessments are to be performed. Examples of risk assessments, performed at least annually, are Quality and Risk Analysis for changes and Risk and Control Self Assessments on divisional levels.

Control activities

The heads of the respective units are primarily responsible for managing the risks associated with the units' operations and financial reporting processes. This responsibility is supported by the Group Accounting Manual (GAM), the Financial Control Principles and various governing bodies, such as the Group Valuation Committee. The GAM includes a standard reporting package used by all entities to ensure consistent use of Nordea's principles and coordinated financial reporting. Fundamental internal control principles in Nordea include the segregation of duties and the four-eye principle when approving e.g. transactions and authorisations. The quality assurance vested in the management reporting process, where a detailed analysis of the financial outcome is performed, constitutes one of the most important control mechanisms associated with the reporting process. Reconciliations constitute another set of important controls, whereby Nordea works continuously to further strengthen the quality.

Information and communication

Group Finance and Business Control are responsible for ensuring that the Group Accounting Manual and the Financial Control Principles are up-to-date and that changes are communicated to the responsible units. These governing documents are broken down into instructions and standard operating procedures in the responsible units. Accounting specialists within Group Finance & Business Control continuously provide accountants and controllers with information on changes in order to inform about existing and updated rules and regulations with an impact on Nordea. Matters having impact on the fulfilment of financial reporting objectives are communicated with outside parties, with Nordea actively participating in relevant national forums, including forums established by the Financial Supervisory Authorities, Central Banks and associations for financial institutions.

Monitoring

Nordea has established a process with the purpose of ensuring a proper monitoring of the quality of the financial reporting and the follow-up regarding possible deficiencies. This interactive process aims to cover all components in the original COSO Framework. The Board of Directors, the Board Audit Committee, the Board Risk Committee and Group Internal Audit have important roles in monitoring the internal control over financial reporting in Nordea.

According to Norwegian law, Nordea is required to have an external auditor. At the Annual General Meeting 2015 PricewaterhouseCoopers AS was elected as auditor for the time period up to end of the Annual General Meeting 2016.

Articles of association regulating the Board of Directors

The Norwegian Accounting Act §3-3b requires the composition and nomination of the Board of Directors to be disclosed.

According to the statutes of Nordea Eiendomskreditt AS, the board comprises a minimum of 5 members who are elected by the Committee of Representatives. The chairman of the Board shall be elected by separate ballot. The elected directors serve for terms of 2 years. Each year minimum 2 and maximum 4 directors shall retire. The first time minimum half of the directors shall retire according to drawing lots, and the remaining directors shall retire the following year. If an elected director retires before the expiry of the election period, a new director shall be elected for the remaining period at the earliest opportunity. The directors might be reelected.

Further information on the composition of the Board of Directors, the Control Committee and the Committee of Representatives is disclosed in the section Governing Bodies 31 December 2015.

Personnel and working environment

At the end of 2015 Nordea Eiendomskreditt AS had 2 (2) employees. Staffing was equivalent to 1.7 (1.7) full time equivalent positions. Following the reorganisation of the company early in 2010, services related to management of the lending portfolio, customer contact, funding and risk management, accounting and reporting are now purchased from other units in the Nordea Group.
As part of the Nordea Group, the company carries out an annual survey of employee satisfaction, and attaches importance to operating with a good working environment. The company's employees are members of the personal insurance and pension schemes in NBN. Both employees in the company are women, of which one holds an executive position. The Board of Directors consists of one woman and four men. Due to the limited number of employees in the company, it has not been considered necessary to implement any specific measures for gender equality.

Absence due to sickness during 2015 amounted to 4.72% (2.62%). A total of 18 (10) working days were lost to sickness in 2015. No accidents or injuries were incurred by employees while at work during the preceding year.

Information on remuneration and loans to the company's employees and officers can be found in Note 4 Staff costs.

Legal proceedings

There have been no disputes or legal proceedings in which material claims have been raised against the company.

Subsequent events

No events have occurred after the balance sheet date, which may materially affect the assessment of the annual financial statements of Nordea Eiendomskreditt.

Corporate Social Responsibility (CSR) and environmental concerns

In 2015, Nordea launched a new CSR strategy. Building on many years of managing the CSR initiatives within our own operations, this new strategy aims to go further. We now aim to apply our expertise and competences to those societal challenges where we can achieve positive change. Our three focus areas are promoting social responsible economic progress, building financial skills, and ensuring a diverse workforce.

Commitments and policies

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

Nordea's Operational Risk and Compliance Awareness Programme assures that our employees are fully aware of our policies and commitments. The programme includes a rolling series of e-learning modules, focusing on operational and compliance risks and related responsibilities in our daily work. We also have a groupwide whistleblowing system in place, whereby employees can report concerns anonymously. Our Anti-Money Laundering (AML) unit gives hands-on support specifically concerning AML-related matters.

Protecting human rights

We have a responsibility to ensure our business activities do not negatively impact human rights, and to address any negative impact that may occur. We aim to mitigate the risk of any human rights violations connected to our lending and investment practices, as well as our human resources and supply chain policies and practices.

Nordea's People Policy lays out our responsibility for ensuring that employees are fairly treated and given equal development opportunities. Our workplaces support diversity, where differences are both respected and appreciated. We seek to provide a safe, healthy and productive environment.

Environmental impact

Group Executive Management in Nordea has set long term environmental targets to reduce our emissions, with a particular focus on energy and air travel. Nordea

Eiendomskreditt's direct impact on the external environment is limited to its use of material and energy, as well as the production of services necessary for the company's business activities. In the NBN Group, there is strong focus on general reduction of costs which supports a reduced use of resources and energy.

For more information about Nordea's CSR work, see the Annual Report of Nordea Bank Norge ASA, the Annual Report of Nordea Bank AB (publ) and Nordea's CSR Report available at www.nordea.com/responsibility.

Outlook for 2016

We expect the interest rate level to be low also in 2016, with limited growth in the loan portfolio.
Nordea Eiendomskreditt benefits from its strong position as a covered bond issuer in the Norwegian market, but issuance volumes in 2016 are expected to be affected by the slowdown in market growth in the second half year of 2015 and higher spreads. Housing prices increased by 7% in 2015, and we expect somewhat lower growth in 2016. In the first quarter of 2016 the pricing model for calculating administration fee paid by Nordea Eiendomskreditt to its parent bank will be revised. As a result, the fee is expected to increase compared to the 2015 level.

Nordea Eiendomskreditt AS
Oslo, 10 February 2016

Jon Brenden
Chairman of the Board

Børre Gundersen
Member of the Board

Ola Littorin
Member of the Board

Eva I. E. Jarbekk
Member of the Board

Alex Madsen
Member of the Board

Marianne Glatved
Managing director

Financial statements - contents

Notes to the financial statements

Income Statement

NOKt	Note	2015	2014
Interest income on loans and deposits with financial institutions	21	6 109	4 452
Interest and related income on loans to customers		3 298 123	4 344 016
Interest and related income on debt securities		413	
Other interest and related income		1 743	78
Total interest and related income		**3 306 388**	**4 348 546**
Interest expense on liabilities to financial institutions	21	206 810	269 157
Interest and related expense on securities issued		1 787 992	2 164 479
Interest expense on subordinated loan capital	21	39 276	42 207
Other interest and related expense[1]		−314 799	−186 173
Total interest and related expense		**1 719 279**	**2 289 670**
Net interest income		**1 587 109**	**2 058 876**
Fee and commission income		49 049	51 583
Fee and commission expense		5 412	4 383
Net fee and commission income		**43 637**	**47 201**
Net result from items at fair value	3, 21	**−9 152**	**−23 246**
Total operating income		**1 621 593**	**2 082 830**
Staff costs	4, 12	2 774	2 463
Other operating expenses	5, 21	154 920	155 245
Total operating expenses		**157 694**	**157 709**
Profit before loan losses		**1 463 899**	**1 925 122**
Loan losses	6	33 036	14 135
Operating profit		**1 430 863**	**1 910 987**
Income tax expense	7	342 567	552 627
Net profit for the year		**1 088 296**	**1 358 360**
Attributable to:			
Shareholders of Nordea Eiendomskreditt AS		1 088 296	1 358 360
Total allocation		**1 088 296**	**1 358 360**
Basic/diluted earnings per share, NOK		70.96	88.57

[1]Includes net interest income from derivatives, measured at fair value and related to Nordea Eiendomskreditt's funding. This can have both a positive and negative impact on other interest expense, for further information see Note 1 Accounting policies.

Statement of comprehensive income

NOKt	2015	2014
Net profit for the year	**1 088 296**	**1 358 360**
Items that may be reclassified subsequently to the income statement		
Cash Flow hedges:		
Valuation gains/losses during the year	-73 955	181 440
Tax on valuation gains/losses during the year	21 200	-48 989
Items that may not be reclassified subsequently to the income statement		
Defined benefit plans:		
Remeasurement of defined benefit plans	1 064	-4 006
Tax on remeasurement of defined benefit plans	-317	1 082
Other comprehensive income, net of tax	**-52 007**	**129 526**
Total comprehensive income	**1 036 289**	**1 487 886**
Attributable to:		
Shareholders of Nordea Eiendomskreditt AS	1 036 289	1 487 886
Total	**1 036 289**	**1 487 886**

Nordea Eiendomskreditt AS
Oslo, 10 February 2016

Jon Brenden
Chairman of the Board

Børre Gundersen
Member of the Board

Ola Littorin
Member of the Board

Eva I. E. Jarbekk
Member of the Board

Alex Madsen
Member of the Board

Marianne Glatved
Managing director

Balance sheet

NOKt	Note	31 Dec 2015	31 Dec 2014
Assets			
Loans to credit institutions	21	143 720	144 486
Loans to the public	6, 8, 10, 13	106 432 216	114 884 186
Interest-bearing securities	*22*	1 498 313	0
Derivatives	9, 18, 21	6 834 690	4 733 675
Fair value changes of the hedged items in portfolio hedge of interest rate risk		64 358	117 269
Other assets	11	243 659	282
Accrued income and prepaid expenses	8	119 841	184 858
Total assets		**115 336 796**	**120 064 755**
Liabilities			
Deposits by credit institutions [1]	11, 21	20 027 995	17 053 883
Debt securities in issue [1]	11, 13, 21	81 628 343	89 981 881
Derivatives	9, 18, 21	273 447	363 824
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1 601 519	1 710 363
Deferred tax liabilities	7	109 005	138 047
Current tax liabilities	7	352 261	508 350
Other liabilities		2 738	1 911
Accrued expenses and prepaid income	21	2 336	2 374
Retirement benefit obligations	12	5 194	5 886
Subordinated loan capital [1]	21	783 300	783 868
Total liabilities		**104 786 139**	**110 550 387**
Equity			
Share capital	21	1 686 990	1 686 990
Share premium	21	1 446 637	1 446 637
Other reserves		45 120	97 127
Retained earnings		7 371 910	6 283 615
Total equity		**10 550 657**	**9 514 368**
Total liabilities and equity		**115 336 796**	**120 064 755**
Note 16, 17, 19, 20			
Assets pledged as security for own liabilities	13	96 821 638	103 284 334
Contingent liabilities	14	869	1 390
Commitments	14	14 123 350	14 737 493

[1]Accrued interests are from 2014 classified together with underlying balance sheet item.

Statement of changes in equity

NOKt	Share capital [1]	Share premium	Other reserves: Cash flow hedges	Other reserves: Defined benefit plans	Retained earnings	Total equity
Balance at 1 January 2015	**1 686 990**	**1 446 637**	**98 963**	**–1 836**	**6 283 615**	**9 514 368**
Net profit for the year					1 088 296	1 088 296
Items that may be reclassified subsequently to the income statement						
Cash Flow hedges:						
Valuation gains/losses during the year			–73 955			–73 955
Tax on valuation gains/losses during the year			21 200			21 200
Items that may not be reclassified subsequently to the income statement						
Defined benefit plans:						
Remeasurement of defined benefit plans				1 064		1 064
Tax on remeasurement of defined benefit plans				–317		–317
Other comprehensive income, net of tax	0	0	–52 755	747	0	–52 007
Total comprehensive income	0	0	–52 755	747	1 088 296	1 036 289
Contributions and distributions						
Group contribution paid					–1 314 000	–1 314 000
Group contribution received					1 314 000	1 314 000
Balance at 31 December 2015	**1 686 990**	**1 446 637**	**46 209**	**–1 089**	**7 371 910**	**10 550 657**

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

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

Cash flow statement

NOKt	2015	2014
Operating activities		
Operating profit before tax	1 430 863	1 910 987
Adjustments for items not included in cash flow	29 469	2 538
Income taxes paid	-20 815	-362 868
Cash flow from operating activities before changes in operating assets and liabilities	**1 439 517**	**1 550 657**
Changes in operating assets		
Change in loans to the public	8 422 500	1 611 430
Change in interest-bearing securities	-1 498 313	0
Change in derivatives, net	-2 191 391	-2 252 355
Change in other assets	-125 448	-6 192
Changes in operating liabilities		
Change in other liabilities	-170 703	1 109 149
Cash flow from operating activities	**5 876 162**	**2 012 689**
Investing activities		
Purchase/sale of tangible fixed assets	0	0
Change in loans and receivables to credit institutions, fixed terms	0	0
Change in holdings of bearer bonds issued by others	0	0
Cash flow from investing activities	**0**	**0**
Financing activities		
Change in deposits by credit institutions	2 974 185	-3 448 268
Receipts on issue of debt securities	13 135 385	26 657 655
Payments on redemption of debt securities	-21 500 498	-24 962 509
Change in subordinated loan capital	0	0
Group contribution paid	-1 800 000	-675 000
Group contribution received	1 314 000	486 000
Increase in share capital and share premium	0	0
Cash flow from financing activities	**-5 876 928**	**-1 942 122**
Cash flow for the year	**-766**	**70 567**
Cash and cash equivalents at 1 January	144 486	73 918
Cash and cash equivalents at 31 December	143 720	144 486
Change	**-766**	**70 567**

Comments on the cash flow statement

The cash flow statement shows inflows and outflows of cash and cash equivalents during the year. Nordea Eiendomskreditt's cash flow has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as loan losses. The cash flows are classifies by operating, investing and financing activities.

Operating activities are the principal revenue-producing activities and cash flows are mainly derived from the operating profit for the year with adjustment for items not included in cash flow and income taxes paid. Items not included in cash flow relates to changes in impairment charges. Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as loans and receivables, short-term funding and debt securities in issue. Changes in derivatives are reported net.

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

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

Notes to the financial statements

Note 1
Accounting policies

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

The disclosures required by the standards, recommendations and legislation above have been included in the notes, in the Risk, Liquidity and Capital management section or in other parts of the financial statements.

On 10 February 2016 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 4 March 2016.

2. Changed accounting policies
The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2014 Annual Report. The new accounting requirements implemented during 2015 and their effects on Nordea Eiendomskreditt's financial statements are described below.

The following new and amended standards and interpretations were implemented 1 January 2015 but have not had any significant impact on the financial statements of Nordea Eiendomskredit:

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

3. Changes in IFRSs not yet applied
IFRS 9 "Financial instruments"
IASB has completed the new standard for financial instruments, IFRS 9 "Financial instruments". IFRS 9 covers classification and measurement, impairment and general hedging and replaces the current requirements covering these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. Earlier application is permitted, but IFRS 9 is not yet endorsed by the EU commission. Nordea Eiendomskreditt does not currently intend to early adopt the standard.

The changes in classification and measurement are not expected to have a significant impact on Nordea Eiendoms-kreditt's income statement or balance sheet as the mixed measurement model will be maintained. Significant reclassifications between fair value and amortised cost or impact on the capital adequacy and large exposures are not expected in the period of initial application, but this is naturally dependent on the financial instruments on Nordea Eiendomskreditt's balance sheet at transition.

The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. In general, it is expected that the new requirements will increase loan loss provisions, decrease equity and have a negative impact on capital adequacy, but no impact on large exposures, in the period of initial application. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as guarantees and loan commitments, to be included in the impairment test. Currently Nordea Eiendomskreditt does not calculate collective provisions for off balance sheet exposures.

The assets to test for impairment will be divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant deterioration in credit risk, stage 2 includes assets where there has been a significant deterioration and stage 3 includes assets that have been individually assessed to be impaired. In stage 1, the provisions should equal the 12 month expected loss. In stage 2 and 3, the provisions should equal the lifetime expected losses.

Nordea's current model for calculating collective provisions defines a loss event as a deterioration in rating/scoring, but it is not expected that the loss event in the current model will equal the trigger event for moving items from stage 1 to stage 2 under IFRS 9. Currently Nordea Eiendomskreditt does not, in addition, hold any provisions for assets where there has been no deterioration in credit risk. For assets where there has been a significant deterioration in credit risk, Nordea Eiendomskreditt currently holds provisions based on the losses estimated to occur during the period between the date when the loss event occurred and the date when the loss event is identified on an individual basis, the so called "Emergence period", while IFRS 9 will require provisions equal to the lifetime expected loss. This means total provisions will increase when IFRS 9 is implemented.

The main change to the general hedging requirements is that the standard aligns hedge accounting more closely with the risk management activities. As Nordea generally uses macro (portfolio) hedge accounting Nordea Eiendomskreditt's assessment is that the new requirements will not have any significant impact on Nordea Eiendomskreditt's financial statements, capital adequacy, or large exposures in the period of initial application. Nordea Eiendomskreditt has not yet finalised the impact assessment of the implementation of IFRS 9.

IFRS 15 "Revenue from Contracts with Customers"
The IASB has published the new standard, IFRS 15 "Revenue from Contracts with Customers". The new standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition standards and interpretations within IFRS, such as IAS 18 "Revenue". The new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The EU-commission is expected to endorse the standard during the second quarter 2016. Nordea Eiendomskreditt does not currently intend to early adopt the standard. The standard does not apply to financial instruments, insurance contracts or lease contracts. Nordea Eiendomskreditt has not finalised the investigation of the impact on the financial statements but the current assessment is that the new standard will not have any significant impact on Nordea Eiendomskreditt's financial statements, capital adequacy, or large exposures in the period of initial application.

IAS 1
The IASB has amended IAS 1 as a result of the IASB's disclosure initiative. The amendments in IAS 1 regards materiality, disaggregation and subtotals, note structure, disclosures of accounting policies and presentation of items of OCI arising from equity accounted investments. The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments are endorsed by the EU commission. Nordea Eiendomskreditt has not early adopted the amendments. The new requirements are not expected to have any effect on Nordea Eiendomskreditt's financial statements, capital adequacy, or large exposures in the period of initial application.

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

- Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses
- "Annual Improvements to IFRSs, 2012-2014 Cycle"

4. Critical judgements and estimation uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires, in some cases, the use of judgements and estimates by management. Actual outcome can later, to some extent, differ from the estimates and the assumptions made. In this section a description is made of:

- the sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, and
- the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant effect on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments (hedging portfolio)
- the impairment testing of loans to the public
- the effectiveness testing of cash flow hedges
- the valuation of deferred tax liabilities

Fair value measurement of certain financial instruments
Nordea Eiendomskreditt's accounting policy for determining the fair value of financial instruments is described in section 9 "Determination of fair value of financial instruments" and Note 17 Assets and liabilities at fair value.

When determining fair value of financial instruments that lack quoted prices or recently observed market prices, there is also a high degree of estimation uncertainty. This

estimation uncertainty is mainly a result of the judgement management exercises when:
- selecting an appropriate discount rate for the instrument, and
- determining expected timing of future cash flows from the instruments.

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

Impairment testing on loans to the public
Nordea Eiendomskreditt's accounting policy for impairment testing of loans is described in section 11 "Loans to the public/credit institutions".

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

The most judgemental area is the calculation of collective impairment allowances. When testing a group of loans collectively for impairment, judgement has to be exercised when identifying the events and/or the observable data that indicate that losses have been incurred in the group of loans. Nordea monitors its portfolio through rating migrations, and a loss event is an event resulting in a negative rating migration. Assessing the net present value of the cash flows generated by the customers in the group contains a high degree of uncertainty. This includes the use of historical data on probability of default and loss given default, supplemented by acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

Effectiveness testing of cash flow hedges
Nordea Eiendomskreditt's accounting policies for cash flow hedges are described in section 8 "Hedge accounting".

One important judgement in connection to cash flow hedge accounting is the choice of method used for effectiveness testing.

Where Nordea Eiendomskreditt applies cash flow hedge accounting, the hedging instruments used are cross currency interest rate swaps which are always held at fair value. The currency component in cross currency interest rate swaps is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. The hypothetical derivative method is used when measuring the effectiveness of these cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows on the hedged transaction (the currency component). Critical judgement has to be exercised when defining the characteristics of the perfect hypothetical swap.

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

The valuation of deferred tax assets is influenced by management's assessment of Nordea Eiendomskreditt's future profitability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. These assessments are updated and reviewed at each balance sheet date, and are, if necessary, revised to reflect the current situation.

5. Recognition of operating income and impairment

Net interest income
Interest income and expense are calculated and recognised based on the effective interest rate method or, if considered appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using the effective interest rate method as basis for the calculation. The effective interest includes fees considered to be an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). The effective interest rate equals the rate that discounts the contractual future cash flows to the carrying amount of the financial asset or financial liability.

Interest income and expenses from financial instruments are classified as "Net interest income".

Net fee and commission income
The company's fee income is treated as administration fees for maintaining customer accounts related to customers' mortgage loans, and is recognised to income as part of the item "Fee and commission income" in accordance with standard Nordea policy.

Commission expenses are transaction based and recognised in the period the services are received.

Net result from items at fair value
Gains and losses on financial instruments measured at fair value through profit or loss, include derivatives and are recognised in the item "Net result from items at fair value".

This item also includes realised gains and losses from financial instruments measured at amortised cost, such as interest compensation received and realised gains/losses on buy-backs of issued own debt.

Impairment losses from instruments within other categories than "Financial assets at fair value through profit or loss" are recognised in the item "Net loan losses" (see also the sub-section "Net loan losses" below).

Net loan losses
Impairment losses from financial assets classified into the category "Loans and receivables" (see section 10 "Financial instruments"), in the item "Loans to the public" in the balance sheet, are reported as "Net loan losses". Losses are reported net of any collateral and other credit enhancements. Nordea Eiendomskreditt's accounting policies for the calculation of impairment losses on loans can be found in section 11 "Loans to the public/credit institutions".

Counterparty losses on instruments classified into the category "Financial assets at fair value through profit or loss" are reported under "Net result from items at fair value".

6. Recognition and derecognition of financial instruments on the balance sheet

Derivative instruments, quoted securities and foreign exchange spot transactions are recognised on and derecognised (reclassified to the items "Other assets" or "Other liabilities" on the balance sheet between trade date and settlement date) from the balance sheet on the trade date. Other financial instruments are recognised in the balance sheet on settlement date.

Financial assets, other than those for which trade date accounting is applied, are derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset expire or are transferred to another party. The rights to the cash flows normally expire or are transferred when the counterpart has performed by e.g. repaying a loan to Nordea Eiendomskreditt, i.e. on settlement date.

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea Eiendomskreditt performs, for example when Nordea Eiendomskreditt repays a deposit to the counterpart, i.e. on settlement date.

7. Translation of assets and liabilities denominated in foreign currencies

The functional currency for Nordea Eiendomskreditt is NOK. Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date. Nordea Eiendomskreditt has items only in USD and GBP in addition to Norwegian kroner. For exchange rates at 31 December 2015, see section 17 Exchange rates.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised translation differences on unsettled foreign currency monetary assets and liabilities, are recognised in the income statement in the item "Net result on items at fair value".

8. Hedge accounting

Nordea Eiendomskreditt applies the EU carve out version of IAS 39 for portfolio hedges of both assets and liabilities. The EU carve out macro hedging enables a group of derivatives (or proportions thereof) to be viewed in combination and be designated as the hedging instrument. It also removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies.

Nordea Eiendomskreditt uses hedge accounting in order to have a symmetrical accounting treatment of the changes in fair value of the hedged item and changes in fair value of the hedging instruments, as well as to hedge the exposure to variability in future cash flows.

There are three forms of hedge accounting:

- Fair value hedge accounting
- Cash flow hedge accounting
- Hedges of net investments

Fair value hedge accounting
Fair value hedge accounting is used when derivatives are hedging changes in fair value of a recognised asset or liability attributable to a specific risk. The risk of changes in fair value of assets and liabilities in Nordea Eiendomskreditt's financial statements originates from loans with a fixed interest rate, causing interest rate risk. Changes in fair value from derivatives as well as changes in fair value of the hedged item attributable to the risks being hedged, are recognised separately in the income statement in the item "Net result on items at fair value". Given an effective hedge, the two changes in fair value will more or less balance, meaning the net result will be close to zero. The changes in fair value of the hedged item attributable to the risks hedged with the derivative instrument are reflected in an adjustment to the carrying amount of the hedged item, which is also recognised in the income statement. The fair value change of the hedged item in a portfolio hedge of interest rate risks is reported separately from the portfolio in the item "Fair value changes of the hedged items in portfolio hedge of interest rate risk in the balance sheet".

Fair value hedge accounting in Nordea Eiendomskreditt is performed mainly on a portfolio basis. Any ineffectiveness is recognised in the income statement under the item "Net result on items at fair value".

Hedged items
A hedged item in a fair value hedge can be a recognised single asset or liability, an unrecognised firm commitment, or a portion thereof. The hedged item can also be a group of assets, liabilities or firm commitments with similar risk

characteristics. Hedged items in Nordea Eiendomskreditt consist of both individual and portfolios of assets and liabilities.

Hedging instruments
The hedging instruments used in Nordea Eiendomskreditt are interest rate swaps and cross currency interest rate swaps, which are always held at fair value.

Cash flow hedge accounting
Cash flow hedge accounting can be used for the hedging of exposure to variations in future interest payments on instruments with variable interest rates and for the hedging of currency exposures. The portion of the gain or loss on the hedging instrument, that is determined to be an effective hedge, is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The ineffective portion of the gain or loss on the hedging instrument is recycled to the item "Net result from items at fair value in the income statement".

Gains or losses on hedging instruments recognised in the cash flow hedge reserve in equity through other comprehensive income are recycled through other comprehensive income and recognised in the income statement in the same period as the hedged item affects profit or loss, normally in the period that interest income or interest expense is recognised.

Hedged items
A hedged item in a cash flow hedge can be highly probable floating interest rate cash flows from recognised assets or liabilities or from future assets or liabilities. Nordea Eiendomskreditt uses cash flow hedges when hedging currency risk in future payments of interest and principal in foreign currency.

Hedging instruments
The hedging instruments used in Nordea Eiendomskreditt are cross currency basis swaps which are always held at fair value, where the currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk.

Hedge effectiveness
The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent.

When assessing hedge effectiveness retrospectively Nordea Eiendomskreditt measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis.

The hypothetical derivative method is used when measuring the effectiveness of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

If the hedge relationship does not fulfil the requirements, hedge accounting is terminated. For fair value hedges the hedging instrument is reclassified to a trading derivative and change in the fair value of the hedged risk on the hedged item, up to the point when the hedge relationship is terminated, is amortised to the income statement on a straight-line basis over the remaining maturity of the hedged item.

In cash flow hedges, changes in the unrealised value of the hedging instrument will prospectively from the last time it was proven effective be accounted for in the income statement. The cumulative gain or loss on the hedging instrument, that has been recognised in the cash flow hedge reserve in equity from the period when the hedge was effective, is reclassified from equity through other comprehensive income to "Net result from items at fair value" in the income statement, if the expected transaction no longer is expected to occur. If the expected transaction no longer is highly probable, but is still expected to occur, the cumulative gain or loss on the hedging instrument that has been recognised in the cash flow hedge reserve from the period when the hedge was effective remains in the cash flow hedge reserve until the transaction occurs or is no longer expected to occur.

9. Determination of fair value of financial instruments
Financial assets and liabilities classified into the categories "Financial assets/liabilities at fair value through profit or loss" (including derivative instruments) are recorded at fair value in the balance sheet with changes in fair value recognised in the income statement in the item "Net result from items at fair value".

Fair value is defined as the price that at the measurement date would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The existence of published price quotations in an active market is the best evidence of fair value and when they exist, they are used to measure the fair value of financial assets and financial liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. The absolute level for liquidity and volume required for a market to be considered active vary with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the trade frequency is high. For instruments in such a class, the liquidity requirements are lower and correspondingly, the age limit for the prices used for establishing fair value is higher.

Whether markets are active or non-active is assessed regularly. The trade frequency and volume are monitored daily.

If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique. The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.

Valuation techniques can range from simple discounted cash flow analysis to complex option pricing models. Valuation models are designed to apply observable market prices and rates as input whenever possible, but can also make use of unobservable model parameters. The adequacy of the valuation model is assessed by measuring its capability to hit market prices. This is done by comparison of calculated prices to relevant benchmark data, e.g. quoted prices from exchange, the counterparty´s valuations, price data from consensus services etc. Nordea Eiendomskreditt is using valuation techniques to establish fair value for interest bearing securities and OTC-derivatives.

For financial instruments, where fair value is estimated by a valuation technique, it is investigated whether the variables used in the valuation model are predominantly based on data from observable markets. By data from observable markets, Nordea Eiendomskreditt considers data that can be collected from generally available external sources and where this data is judged to represent realistic market prices. If non-observable data has a significant impact on the valuation, the instrument cannot be recognised initially at the fair value estimated by the valuation technique and any upfront gains are thereby deferred and amortised through the income statement over the contractual life of the instrument. The deferred upfront gains are subsequently released to income if the non-observable data becomes observable.

Note 17 Assets and liabilities at fair value provides a breakdown of fair values of financial instruments measured on the basis of:

- quoted prices in active markets for the same instrument (level 1),
- valuation techniques using observable data (level 2), and
- valuation techniques using non-observable data (level 3).

The valuation models applied by the Nordea Group are consistent with accepted economic methodologies for pricing financial instruments, and incorporate the factors that market participants consider when setting a price. New valuation models are subject to approval by Model Risk Management Committee and all models are reviewed on a regular basis.

10. Financial instruments

Classification of financial instruments

Each financial instrument in Nordea Eiendomskreditt has been classified into one of the following categories:

Financial assets:

- Financial assets at fair value through profit or loss
  - held for trading
  - derivatives used for hedging
- Loans and receivables

Financial liabilities:

- Financial liabilities at fair value through profit or loss
  - held for trading
  - derivatives used for hedging
- Other financial liabilities

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In Note 16 Classification of financial instruments, the classification of the financial instruments in Nordea Eiendomskreditt's balance sheet into different categories is presented.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. All changes in fair values are recognised directly in the income statement in the item "Net result from items at fair value".

Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section 11 "Loans to the public/credit institutions".

Other financial liabilities

Financial liabilities, other than those classified into the category "Financial liabilities at fair value through profit or loss", are measured at amortised cost. Interest from Other financial liabilities is recognised in the item "Total interest and related expense" in the income statement.

Derivatives
All derivatives are recognised in the balance sheet and measured at fair value. Derivatives with total positive fair values, including any accrued interest, are recognised as assets in the item "Derivatives" on the asset side. Derivatives with total negative fair values, including any accrued interest, are recognised as liabilities in the item "Derivatives" on the liability side.

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Net result on items at fair value".

Offsetting of financial assets and liabilities
Nordea Eiendomskreditt offsets financial assets and liabilities on the balance sheet if there is a legal right to offset, in the ordinary course of business and in case of bankruptcy, and if the intent is to settle the items net or realise the asset and settle the liability simultaneously. This is generally achieved through the central counterparty clearing houses that Nordea has agreements with.

11. Loans to the public/credit institutions
Financial instruments classified as "Loans to the public/credit institutions" on the balance sheet and into the category "Loans and receivables" are measured at amortised cost (see also the separate section 6 "Recognition and derecognition of financial instruments in the balance sheet" as well as Note 16 Classification of financial instruments).

Nordea Eiendomskreditt monitors loans as described in the separate section "Risk, liquidity and capital management" in the Board of Directors' Report. Loans to individual customers or groups of customers are identified as impaired if the impairment tests indicate an objective evidence of impairment.

Impairment test of individually assessed loans
Nordea Eiendomskreditt tests significant loans for impairment on an individual basis. The purpose of the impairment tests is to find out if the loans have become impaired. As a first step in the identification process for impaired loans, Nordea Eiendomskreditt monitors whether there are indicators for impairment (loss event) and whether these loss events represent objective evidence of impairment. More information on the identification of loss events can be found in the "Risk, liquidity and capital management" section in the Board of Directors' Report.

Loans that are not individually impaired will be transferred to a group of loans with similar risk characteristics for a collective impairment test.

Impairment test of collectively assessed loans
Loans not impaired on an individual basis are collectively tested for impairment.

These loans are grouped on the basis of similar credit risk characteristics that are indicative of the debtors´ ability to pay all amounts due according to the contractual terms. Nordea Eiendomskreditt monitors its portfolio through rating migrations, the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes Nordea Eiendomskreditt identifies loss events indicating incurred losses in a group. A loss event is an event resulting in a deterioration of the expected future cash flows. Only loss events incurred up to the reporting date are included when performing the assessment of the group.

The objective for the group assessment process is to evaluate if there is a need to make a provision due to the fact that a loss event has occurred, which has not yet been identified on an individual basis. This period between the date when the loss event occurred and the date when it is identified on an individual basis is called "Emergence period". The impairment remains related to the group of loans until the losses have been identified on an individual basis. The identification of the loss is made through a default of the engagement or by other indicators.

Personal customers are monitored through scoring models. These are based mostly on historical data, as default rates and loss rates given a default, and experienced judgement performed by management. Rating and scoring models are described in more detail in the separate section "Risk, liquidity and capital management" in the Board of Directors' Report.

Impairment loss
If the carrying amount of the loans is higher than the sum of the net present value of estimated cash flows (discounted with the original effective interest rate), including the fair value of the collaterals, the difference is the impairment loss.

If the impairment loss is not regarded as final, the impairment loss is accounted for in an allowance account representing the accumulated impairment losses. Changes in the credit risk and accumulated impairment losses are accounted for as changes in the allowance account and as "Net loan losses" in the income statement (see also section 5 "Recognition of operating income and impairment").

If the impairment loss is regarded as final, it is reported as a realised loss and the value of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when Nordea Eiendomskreditt forgives its claims either through a legal based or voluntary reconstruction or when Nordea Eiendomskreditt, for other reasons, deems it unlikely that the claim will be recovered.

Discount rate
The discount rate used to measure impairment is the original effective interest rate for loans attached to an individual customer or, if applicable, to a group of loans. If considered appropriate, the discount rate can be based on a method that results in an impairment that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Restructured loans
In this context a restructured loan is defined as a loan where Nordea Eiendomskreditt has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for Nordea Eiendomskreditt. After a reconstruction the loan is normally regarded as not impaired if it performs according to the new conditions. Concessions made in reconstructions are regarded as final losses unless Nordea Eiendomskreditt retains the possibility to regain the realised loan losses incurred. In the event of a recovery the payment is reported as a recovery of realised loan losses.

Assets taken over for protection of claims
At initial recognition, all properties taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the property taken over is recognised as "Net loan losses". In subsequent periods, properties taken over for protection of claims are measured at fair value, and any changes in fair value are recognised in the income statement under the line "Net result from items at fair value". Net loan losses in the income statement are, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

12. Taxes
The item "Income tax expense" in the income statement comprises current and deferred income tax. The income tax expense is recognised in the income statement, except to the extent that the tax effect relates to items recognised in other comprehensive income or directly in equity, in which case the tax effect is recognised in other comprehensive income or in equity respectively.

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax loss carry forward and unused tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Current tax assets and current tax liabilities are offset when the legal right to offset exists.

13. Earnings per share
Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of Nordea Eiendomskreditt by the weighted average number of ordinary shares outstanding during the period.

14. Employee benefits
All forms of consideration given by Nordea Eiendomskreditt to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in the company consist only of pensions.

Short-term benefits
Short-term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea Eiendomskreditt. More information can be found in Note 4 Staff costs.

Post-employment benefits
Pension plans

The company's liabilities in respect of its retirement benefit obligations to its employees are mainly funded schemes covered by assets in pension funds. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit obligation, determined using the projected unit credit method, the net amount is recognised as a liability ("Retirement benefit obligations"). If not, the net amount is recognised as an asset ("Retirement benefit assets"). Non-funded pension plans are recognised as "Retirement benefit obligations".

Pension costs

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea Eiendomskreditt's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Actuarial calculations including the projected unit credit method are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note 12 Retirement benefit obligations).

When establishing the present value of the obligation and the fair value of any plan assets, remeasurement effects may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The remeasurement effects are recognised immediately in equity through other comprehensive income.

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

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

Discount rate in Defined Benefit Plans
The discount rate is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In Norway, the discount rate is determined with reference to covered bonds.

15. Equity

Share premium reserve
The share premium reserve consists of the difference between the subscription price and the quota value of the shares in Nordea's rights issue. Transaction costs in connection to the rights issue have been deducted.

Other reserves
Other reserves comprise income and expenses, net after tax effects, which are reported in equity through other comprehensive income. These reserves include cash flow hedge reserves and accumulated remeasurements of defined benefit pension plans.

Retained earnings
Apart from undistributed profits from previous years, retained earnings may also include the equity portion of untaxed reserves. Untaxed reserves according to national rules are accounted for as equity net of deferred tax at prevailing tax rates in the respective country.

16. Related party transactions
Nordea Eiendomskreditt defines related parties as:
- Shareholders with significant influence
- Other Nordea Group companies
- Key management personnel

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

Shareholders with significant influence
Nordea Bank Norge ASA owns 100% of the share capital of Nordea Eiendomskreditt AS and has significant influence.

Other Nordea Group Companies
Other Nordea Group Companies means the group parent company Nordea Bank AB (publ) and its subsidiaries.

Key management personnel
Key management personnel includes the following positions:
- The Board of Directors
- The Chief Executive Officer (CEO)
- The Control Committee
- The Board of Representatives

Information concerning transactions between Nordea Eiendomskreditt and other companies in the group is found in Note 21 Related-party transactions.

Information concerning transactions between Nordea Eiendomskreditt and other companies in the group is found in Note 21 Related-party transactions.

17. Exchange rates

USD 1 = NOK	2015	2014
Income statement (average)	8.0624	6.3069
Balance sheet (at end of period)	8.8206	7.4475

GBP 1 = NOK		
Income statement (average)	12.3230	10.3748
Balance sheet (at end of period)	13.0840	11.6087

Note 2:
Segment information

The activities of Nordea Eiendomskreditt represent a single segment. This is a result of the manner in which the company is organised and managed, including the system for internal reporting whereby the business to all practical purposes is managed as a single segment. The services provided by Nordea Eiendomskreditt are judged to be subject to the same risks and yield requirements. Nordea Eiendomskreditt only has loans to the household segment, secured by residents and holiday homes in Norway, mainly focused around the larger cities. Nordea Eiendomskreditt is part of the Retail Banking segment of the Nordea Bank Norge group.

Note 3
Net result from items at fair value

Net gains/losses for categories of financial instruments

NOKt	**2015**	**2014**
Financial instruments held for trading [1]	7 202	-35 225
Financial instruments under hedge accounting	-16 354	23 896
- of which net gains/losses on hedged items	115 455	-1 072 169
- of which net gains/losses on hedging instruments	-131 809	1 096 065
Other financial liabilities	0	-11 917
Total	**-9 152**	**-23 246**

[1] No assets or liabilities were classified as held for trading other than interest-bearing securities and derivatives held for economic hedging, which do not meet the requirements for hedge accounting according to IAS 39.

Note 4
Staff costs

NOKt	**2015**	**2014**
Salaries and remunerations	1 829	1 783
Pension costs (note 12)	585	320
Social security contributions	278	267
Allocation to profit-sharing [1]	44	40
Other staff costs	38	54
Total	**2 774**	**2 463**

[1] Allocation to profit-sharing foundation in 2015 consisted of a new allocation of NOK 58t and release of NOK 14t related to prior years. In 2014 new allocation amounted to NOK 48t and release of NOK 8t for prior years.

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

Note 4
Staff costs cont.

Gender distribution of Board members (percentage at year end)		
– Men	80	80
– Women	20	20
Loans to the Chairman of the Committee of Representatives , members of the Board and Control Committee, or to companys where such persons are officers/board members	0	0
Auditor's fee		
Auditor's fee incl. vat	1 734	783
– of which ordinary audit fee[2]	673	339
– of which other services[3]	1 061	444

[2] Of ordinary audit fee, tnok 588 relates to the company's current auditor, elected by the Annual General Meeting at 5th March 2015.
[3] Of fee for other services, tnok 380 relates to the company's current auditor, elected by the Annual General Meeting at 5th March 2015.

Explanations of individually specified remuneration in the table below.

Fixed salary and fees – relates to received regular salary for the financial year paid by Nordea Eiendomskreditt AS.
Variable salary – includes profit sharing and executive bonuses. All employees receive profit sharing according to common Nordea strategy.
Benefits – includes insurance and electronic communication allowance.
Pensions – includes changes in the individual's accrued rights under the pension plan during the financial year. The amount stated is the annual change in the present value of the pension obligations (PBO) exclusive of social security tax, which best reflects the change in pension rights for the financial year.

Executive management of Nordea Eiendomskreditt AS	**Fixed salary and fees**	**Variable salary**	**Other benefits**	**Pensions**	**Total remunerations**
Marianne Glatved, Managing director	1 024	74	22	199	1 319
Total for the executive management	**1 024**	**74**	**22**	**199**	**1 319**
Board of Directors of Nordea Eiendomskreditt AS					
Eva I. E. Jarbekk	74				74
Monica Blix (former Board member)	13				13
Alex Madsen	61				61
Total for the directors of Nordea Eiendomskreditt AS	**148**	**–**	**–**	**–**	**148**
Control Committee of Nordea Eiendomskreditt AS					
Anders Ingebrigtsen, chairman	82				82
Thorleif Haug	58				58
Tom Knoff	58				58
Janicke L. Rasmussen	37				37
Total for the Control Committee of Nordea Eiendomskreditt AS	**235**	**–**	**–**	**–**	**235**
Total remuneration of executive management and elected officers of Nordea Eiendomskreditt AS	**1 406**	**74**	**22**	**199**	**1 702**

No director's fee is paid to directors who are employees of the Nordea group. The fees shown in the table are fees paid in 2015 for services provided in 2014.

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

Note 5
Administration expenses and other expenses

NOKt	2015	2014
Services bought from Group companies	150 227	151 550
– hereof related to administration of the lending portfolio	142 013	142 872
– hereof related to treasury services	6 907	6 612
– hereof related to accounting and reporting services	480	774
– hereof other costs	827	1 292
Consulting	3 339	2 691
Auditors' fee	673	339
Other operating expenses	681	666
Total	**154 920**	**155 245**

Note 6
Loan losses

NOKt	2015	2014
Specification of changes in loan losses		
Change in allowances for individually assessed loans	3 819	5 992
Change in allowances for collectively assessed loans	25 650	551
Realised loan losses in the period	3 580	7 592
Recoveries of loan losses realised previous years	–14	0
Total loan losses for the year	**33 036**	**14 135**

Specification of allowances for individually assessed loans [1]		
Opening balance at 1 January	28 016	22 023
Increased and new allowances this year	8 434	14 144
Allowances used to cover realised loan losses	–1 566	–6 171
Reversals of allowances made in previous years	–3 049	–1 980
Closing balance at 31 December	**31 835**	**28 016**

[1] Included in Note 8 Loans and impairment.

Key ratios	**2015**	**2014**
Loan loss ratio [2]	0.03%	0.01%
– of which individual	0.01%	0.01%
– of which collective	0.02%	0.00%

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

Note 7
Taxes

Income tax expense

NOKt	2015	2014
Current tax [1]	316 483	497 113
Deferred tax	26 084	55 515
Total	**342 567**	**552 627**
[1] of which relating to prior years	-35 777	-11 238

Current and deferred tax recognised in Other comprehensive income		
Deferred tax on remeasurements of pension obligations DBP	-317	1 082
Deferred tax relating to cash flow hedges	21 200	-48 989
Total	**20 883**	**-47 907**

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

NOKt	2015	2014
Profit before tax	1 430 863	1 910 987
Tax calculated at a tax rate of 27%	386 333	515 967
Non-deductable expenses	0	49 005
Tax exempt income	-299	-1 107
Change of tax rate [1]	-7 689	0
Adjustments related to prior years	-35 777	-11 238
Total tax charge	**342 567**	**552 627**
Average effective tax rate	23.9 %	28.9 %

[1] The corporate tax rate in Norway is 27% in 2015, and has been used calculating the tax payable. From 1 January 2016 the corporate tax rate is 25%, and the new rate has been used calculating deffered tax in the balance sheet. Due to the change in tax rate, there is an effect in the tax cost relating to the deferred tax measurment

Deferred tax

NOKt	2015	2014
Deferred tax expense (-) / income (+)		
Deferred tax due to temporary differences	-26 084	-55 515
Income tax expense, net	**-26 084**	**-55 515**

	Deferred tax assets		Deferred tax liabilities	
NOKt	2015	2014	2015	2014
Deferred tax assets/liabilities related to:				
Financial instruments and derivatives			-109 754	-139 812
Retirement benefit obligations	1 230	2 415		
Other			-481	-650
Netting between dererred tax assets and liabilities	-1 230	-2 415	1 230	2 415
Total deferred tax assets/liabilities	**0**	**0**	**-109 005**	**-138 047**

Movements in deferred tax assets/liabilities net, are as follows:	2015	2014
Balance at 1 January	-138 047	-70 849
Deferred tax relating to items recognised in Other comprehensive income	20 883	-47 907
Adjustments relating to prior years	34 242	36 224
Deferred tax in the income statement	-26 084	-55 515
Balance at 31 December	-109 005	-138 047

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax income taxes related to the same fiscal authority.
Deferred tax totalling tnok 109,005 is carried in the balance sheet in full since the company expects to be able to offset this against future earnings.
Nordea Eiendomskreditt had no tax losses carried forward at 31 December 2015.

Note 8
Loans and impairment

NOKt	31 Dec 2015	31 Dec 2014
Loans, not impaired	106 048 409	114 875 825
Impaired loans[1];	459 387	54 471
- Performing	158 611	611
- Non-performing	300 776	53 860
Loans before allowances	**106 507 796**	**114 930 296**
Allowances for individually assessed impaired loans;	-31 835	-28 016
- Performing	-612	-3 067
- Non-performing	-31 223	-24 949
Allowances for collectively assessed impaired loans	-43 745	-18 095
Allowances	**-75 580**	**-46 111**
Loans, carrying amount	**106 432 216**	**114 884 186**

[1] The majority of the increase in impaired loans from previous period relates to an improved way of calculating collectively assessed provisions on contract level, which has been implemented in Q4-2015. Individually assessed impaired loans was tnok 52,107 at 31 December 2015.

Accrued interest on loans to the public was tnok 119,746 at 31 December 2015.

Reconciliation of allowance accounts for impaired loans[2]

NOKt	Individually assessed	Collectively assessed	Total
Opening balance at 1 January 2015	**28 016**	**18 095**	**46 111**
Provisions	8 434	35 509	43 943
Reversals of previous provisions	-3 049	-9 859	-12 908
Changes through the income statement	**5 385**	**25 650**	**31 035**
Allowances used to cover realised loan losses	-1 566	0	-1 566
Closing balance at 31 December 2015	**31 835**	**43 745**	**75 580**

NOKt	Individually assessed	Collectively assessed	Total
Opening balance at 1 January 2014	**22 023**	**17 544**	**39 567**
Provisions	14 144	3 275	17 419
Reversals	-1 980	-2 724	-4 704
Changes through the income statement	**12 163**	**551**	**12 714**
Allowances used to cover realised loan losses	-6 171	0	-6 171
Closing balance at 31 December 2014	**28 016**	**18 095**	**46 111**

[2] See Note 6 Loan losses

Key ratios

	31 Dec 2015	31 Dec 2014
Impairment rate, gross[3], in %	0.43	0.05
Impairment rate, net[4], in %	0.36	0.02
Total allowance rate[5], in %	0.07	0.04
Allowance rate, individually assessed impaired loans[6], in %	61.10	51.43
Total allowances in relation to impaired loans, in %	16.45	84.65
Non-performing loans, not impaired[7], in NOKt	235 574	254 981

[3] Individually and collectively assessed impaired loans and receivables before allowances divided by total loans and receivables before allowances, %.

[4] Individually and collectively assessed impaired loans and receivables after allowances divided by total loans and receivables before allowances, %.

[5] Total allowances divided by total loans and receivables before allowances, %.

[6] Allowances for individually assessed impaired loans and receivables divided by individually assessed impaired loans and receivables before allowances, %.

[7] Past due loans and receivables, not impaired due to future cash flows (included in Loans, not impaired).

Note 9

Derivatives and hedge accounting

31 Dec 2015, NOKt	Fair value Positive	Fair value Negative	Total nominal amount
Derivatives held for trading [1]:			
Interest rate derivatives			
Interest rate swaps	31	65 361	44 500 000
Total derivatives held for trading	**31**	**65 361**	**44 500 000**
Derivatives used for hedge accounting:			
Interest rate derivatives			
Interest rate swaps	2 062 448	208 086	29 479 610
Total	**2 062 448**	**208 086**	**29 479 610**
Foreign exchange derivatives			
Currency and interest rate swaps	4 772 211	0	12 262 946
Total	**4 772 211**	**0**	**12 262 946**
Total derivatives used for hedge accounting	**6 834 659**	**208 086**	**41 742 556**
– of which fair value hedges	2 062 448	208 086	29 479 610
– of which cash flow hedges	4 772 211	0	12 262 946
Total derivatives	**6 834 690**	**273 447**	**86 242 557**

[1]No derivatives were classified as held for trading other than derivatives held for economic hedging, which do not meet the requirements for hedge accounting according to IAS 39.

31 Dec 2014, NOKt	Fair value Positive	Fair value Negative	Total nominal amount
Derivatives held for trading:			
Interest rate derivatives[1]			
Interest rate swaps		85 590	35 000 000
Total derivatives held for trading	**0**	**85 590**	**35 000 000**
Derivatives used for hedge accounting:			
Interest rate derivatives			
Interest rate swaps	2 190 476	278 234	30 356 492
Total	**2 190 476**	**278 234**	**30 356 492**
Foreign exchange derivatives			
Currency and interest rate swaps	2 543 198	0	10 737 420
Total	**2 543 198**	**0**	**10 737 420**
Total derivatives used for hedge accounting	**4 733 675**	**278 234**	**41 093 912**
– of which fair value hedges [2]	2 130 637	127 614	30 356 492
– of which cash flow hedges [2]	2 603 038	150 620	28 987 420
Total derivatives	**4 733 675**	**363 824**	**76 093 912**

[1]No derivatives were classified as held for trading other than derivatives held for economic hedging, which do not meet the requirements for hedge accounting according to IAS 39

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

Note 10

Cover Pool

NOKt	31 Dec 2015	31 Dec 2014
Loans to the public (carrying amount)	106 432 216	114 884 186
– hereof pool of eligible loans	96 821 638	103 284 334
Supplementary assets and derivatives	0	0
Total collatetalised assets	**96 821 638**	**103 284 334**
Debt securities in issue (carrying amount) incl. accrued interests	81 628 343	89 981 881
Accrued interests and currency valuation changes	–5 391 560	–2 905 146
Debt securities in issue, valued according to regulation	**76 236 782**	**87 076 735**
Over–collateralization i percent	27,0 %	18,6 %

Note 11

Debt securities in issue and loans from financial institutions

	31 Dec 2015			31 Dec 2014		
NOKt	**Nominal value**	**Other [1]**	**Carrying amount**	**Nominal value**	**Other [1]**	**Carrying amount**
Covered bonds issued in Norwegian kroner	79 005 000			127 950 000		
Holdings of own covered bonds in Norwegian kroner	–14 921 000			–51 767 000		
Outstanding covered bonds issued in Norwegian kroner	**64 084 000**			**76 183 000**		
Covered bond issued in USD (in NOK)	8 820 610			7 447 490		
Covered bonds issued in GBP (in NOK)	8 177 500			5 804 340		
Total outstanding covered bonds	**81 082 110**	**546 234**	**81 628 343**	**89 434 830**	**547 051**	**89 981 881**
Loans and deposits from financial institutions for a fixed term	20 026 000	1 995	20 027 995	17 050 000	3 883	17 053 883
Subordinated loan	780 000	3 300	783 300	780 000	3 868	783 868
Total	**101 888 110**	**551 529**	**102 439 638**	**107 264 830**	**554 801**	**107 819 631**

[1] Related to accrued interest and premium/discount on issued bonds.

Maturity information	31 Dec 2015	31 Dec 2014
Maximum 1 year	35 503 610	33 807 000
More than 1 year	66 384 500	73 457 830
Total	**101 888 110**	**107 264 830**

Total outstanding covered bonds includes one trade at 29 December 2015 that has been settled at 4 January 2016. Settled amount was tnok 243,659 and is found in the balance sheet item "Other assets" at 31 December 2015.

Norwegian covered bonds (NOKt)

ISIN code	Issue date	Final payment date	Interest	Interest rate in %	Currency	Outstanding nominal amount
NO0010583941	8/19/2010	21/06/2017	Fixed	4,05	NOK	4 018 000 000
NO0010584345	9/2/2010	16/06/2021	Fixed	4,25	NOK	9 343 000 000
NO0010593064	12/22/2010	18/06/2025	Fixed	4,80	NOK	550 000 000
NO0010612492	6/15/2011	15/06/2016	Float	3M Nibor + 0.46%	NOK	5 554 000 000
NO0010636574	2/21/2012	21/06/2017	Float	3M Nibor + 0.78%	NOK	10 000 000 000
NO0010641145	3/29/2012	15/06/2016	Fixed	3,40	NOK	1 103 000 000
NO0010647241	5/29/2012	19/06/2019	Float	3M Nibor + 0.68%	NOK	8 845 000 000
NO0010674971	4/19/2013	20/06/2018	Float	3M Nibor + 0.40%	NOK	10 896 000 000
NO0010692767	11/5/2013	19/06/2019	Fixed	3,05	NOK	2 380 000 000
NO0010703531	2/14/2014	17/06/2020	Float	3M Nibor + 0.38%	NOK	5 540 000 000
NO0010729817	1/26/2015	16/06/2021	Float	3M Nibor + 0.20%	NOK	5 355 000 000
NO0010741903	7/15/2015	17/06/2020	Fixed	1,75	NOK	500 000 000
Total						**64 084 000 000**

Note 11

Debt securities in issue and loans from financial institutions cont.

Covered bonds issued in foreign currency (000)

ISIN code	Issue date	Final payment date	Interest	Interest rate in %	Currency	Outstanding nominal amount
US65558AAC09	9/22/2011	9/22/2016	Fixed	2,13	USD	647 900
XS0681797345	9/22/2011	9/22/2016	Fixed	2,13	USD	352 100
XS1108787703	9/11/2014	9/11/2017	Float	3M GBP Libor + 0.19%	GBP	500 000
XS1210746134	3/30/2015	3/30/2020	Float	3M GBP Libor + 0.25%	GBP	125 000
Total (in NOKt equivalent)						**16 998 110**

Note 12

Retirement benefit obligations

NOKt	31 Dec 2015	31 Dec 2014
Defined benefit plans, net	5 192	5 884
Total	**5 192**	**5 884**

Nordea Eiendomskreditt sponsors both defined contribution plans (DCP) and defined benefit plans (DBP). IAS 19 secures that the pension obligations net of plan assets backing these obligations is reflected on the company's balance sheet.

Nordea Eiendomskreditt is obliged to have an occupational pension scheme pursuant to the Mandatory Occupational Pension Plan Act. Nordea Eiendomskreditt's pension schemes meet the demands required by this act. The company has funded its pension obligations through Nordea Norge Pensjonskasse (pension fund), which is managed by Gabler AS, and are final salary and service based pension plans providing pension benefits on top of the statutory systems. The company also has retirement benefit obligations in connection with supplementary pensions and early retirement pensions, which are not covered by the pension fund. The defined benefit plan (DBP) is closed for new employees as from 2011, and pensions for new employees are instead based on defined contribution plan (DCP) arrangements. The DCP arrangements are administered by Nordea Liv. Nordea Eiendomskreditt is also member of Fellesordningen for AFP (Avtalefestet Pensjon) established with effect from 2011. DCPs are not reflected in the balance sheet, unless when earned pension rights have not been paid for.

Defined benefit plans may impact Nordea Eiendomskreditt via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumption. Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

No significant plan amendments, curtailments and settlements have been made during the year.

IAS 19 Pension calculations and assumptions

Calculations are performed by external actuaries and are based on different actuarial assumptions.

Assumptions[1]	**2015**	**2014**
Discount rate[2]	2,89 %	2,50 %
Salary increase	2,75 %	3,00 %
Inflation	1,75 %	1,75 %
Increase in income base amount	3,00 %	3,00 %
Expected return on assets before taxes	2,89 %	2,50 %
Expected adjustments of current pensions	2,00 %	2,00 %

[1] The assumptions disclosed for 2015 have an impact on the liability calculation by year-end 2015, while the assumptions disclosed for 2014 are used for calculating the pension expense in 2015.

[2] More information on the discount rate can be found in Note 1 Accounting policies, section 14 Employee benefits. The sensitivities to changes in the discount rate can be found below.

Note 12

Retirement benefit obligations cont.

Sensitivities – Impact on Pension Benefit Obligation (PBO)	**2015**	**2014**
Discount rate – Increase 50bps	–9,0%	–9,6%
Discount rate – Decrease 50bps	10,2%	11,1%
Salary increase – Increase 50bps	5,2%	9,5%
Salary increase – Decrease 50bps	–4,8%	–9,1%
Inflation – Increase 50bps	7,2%	7,1%
Inflation – Decrease 50bps	–6,5%	–6,4%

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach since the actuarial assumptions usually are correlated. However, it enables the reader to isolate one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements. Compared with the 2014 Annual Report there have been no changes in the methods used when preparing the sensitivity analyses.

Net retirement benefit liabilities/assets

NOKt	**2015**	**2014**
Obligations	10 054	10 281
Plan assets	4 863	4 397
Net liability (–)/asset (+)	**–5 192**	**–5 884**

Movements in the obligation

NOKt	**2015**	**2014**
Opening balance	9 554	5 497
Current service cost	369	213
Interest cost	239	220
Pensions paid	0	0
Past service cost	0	0
Settlements	0	0
Remeasurement from changes in financial assumptions	0	0
Remeasurement from experience adjustments	–749	3 624
Closing balance before social security contribution	**9 413**	**9 554**
Change in provision for social security contribution [1]	642	727
Closing balance	**10 054**	**10 281**

[1] Calculated on recognised amounts in the balance sheet.

The average duration of the PBO is 20 years based on discounted cash flows.

Movements in the fair value of plan assets

NOKt	**2015**	**2014**
Opening balance	4 397	4 007
Interest income (calculated using the discount rate)	111	166
Pensions paid	0	0
Settlements	0	0
Contributions by employer	170	110
Remeasurement (actual return less interest income)	184	113
Closing balance	**4 863**	**4 398**

Asset composition

The combined return on assets in 2015 was 6.7% (6.6%), mainly driven by return on equity investments and real esteate. At the end of the year, the equity exposure in the foundation represented 28% (28%) of total assets.

Asset composition in funded schemes

	2015	**2014**
Equity	28%	28%
Bonds	55%	56%
Real estate	12%	12%
Other assets	5%	4%

Note 12

Retirement benefit obligations cont.

Defined benefit pension costs

The total net pension cost recognised in Nordea Eiendomskreditt's income statement (as staff costs) for 2015 is tnok 585 (tnok 320). The amount covers both funded and unfunded pension plans, as well as AFP premium.

Recognised in the income statement, NOKt	2015	2014
Current service cost	369	213
Net interest	127	53
Past service cost and settlements	0	0
Social Security Contribution	70	38
Pension cost on defined benefit plans	**566**	**304**

Recognised in other comprehensive income, NOKt	2015	2014
Remeasurement from changes in financial assumptions	-1 536	3 052
Remeasurement from experience adjustments	787	572
Remeasurement of plan assets (actual return less interest income)	-184	-113
Social security contribution	-132	495
Pension cost on defined benefit plans	**-1 064**	**4 006**

The pension cost for 2016 is expected to be tnok 478.

Note 13

Assets pledged as security for own liabilities

NOKt	31 Dec 2015	31 Dec 2014
Assets pledged as security for own liabilities:		
Loans to the public	96 821 638	103 284 334
Total	**96 821 638**	**103 284 334**
The above pledges pertain to the following liability and committment items:		
Debt securities in issue (carrying amount)	81 159 907	89 525 021
Total	**81 159 907**	**89 525 021**

Assets pledged as security for own liabilities contain mortgage loans to the public that have been registered as collateral for issued covered bonds. Counterpart is the public. These transactions are long term with maturity 2-5 years.

The terms and conditions that apply to the collateral pledged are regulated by the Financial Institutions Act, Chapter IV – Bonds secured on a loan portfolio (covered bonds), and the related Regulation of 25 May 2007 on mortgage credit institutions issuing bonds secured on a loan portfolio.

Note 14

Commitments

NOKt	31 Dec 2015	31 Dec 2014
Accepted, not disbursed loans (unutilised portion of approved overdraft facilities)	14 123 350	14 737 493
Other commitments, excluding derivatives [1, 2]	869	1 390
Total	**14 124 219**	**14 738 883**

[1] The amount represent a joint guarantee for bearer bonds issued by De Norske Bykredittforeninger in the period 1941-1950.

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

Note 15
Capital adequacy

Capital adequacy is a measure of the financial strength of a bank, usually expressed as a ratio of capital to assets. There is a worldwide capital adequacy standard (Basel III) drawn up by the Basel Committee on Banking Supervision. Within the EU, the capital adequacy requirements are outlined in the Capital Requirement Directive IV (CRD IV) and Capital Requirement Regulation (CRR). In Norway, rules for capital adequacy calculations are enforced with local rules resembling CRD IV/CRR.

Over the years, amendments have been made to the first version of the capital adequacy regulation, latest during 2014. The new rules for calculating capital adequacy require higher capitalisation levels and better quality of capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk based requirement, measures to promote the build-up of capital that can be drawn in periods of stress and the introduction of liquidity standards. The CRD IV was implemented through national law within all EU countries during 2014, while the CRR entered into force in all EU countries from the first of January 2014, whereas in Norway the new rules resembling CRD IV/CRR have been continuously introduced since 1 July 2013, however, several detailed rules remains to be implemented.

The Basel III framework is built on three Pillars:
- Pillar I – requirements for the calculation of REA and capital requirements
- Pillar II – rules for the Supervisory Review Process (SRP), including the Internal Capital Adequacy Assessment Process (ICAAP)
- Pillar III – rules for the disclosure on risk and capital management, including capital adequacy

Nordea Eiendomskreditt performs an ICAAP with the purpose to review the management, mitigation and measurement of material risks within the business environment in order to assess the adequacy of capitalisation and to determine an internal capital requirement reflecting the risks of the institution.

The ICAAP is a continuous process which increases awareness of capital requirements and exposure to material risks throughout the organisation, both in the business area and legal entity dimensions. Stress tests are important drivers of risk awareness, looking at capital and risk from a firm-wide perspective on a regular basis and on an ad-hoc basis for specific areas or segments. The process includes a regular dialogue with supervisory authorities, rating agencies and other external stakeholders with respect to capital management, measurement and mitigation techniques used.
Nordea Eiendomskreditt's capital levels continue to be adequate to support the risks taken, both from an internal perspective as well as from the perspective of supervisors. Heading into 2016, Nordea will continue to closely follow the development of the new capital requirement regime as well as maintain its open dialogue with the supervisory authorities.

Summary of items included in own funds

NOKm	31 Dec 2015	31 Dec 2014
Calculation of own funds		
Equity in the consolidated situation	10 551	9 514
Proposed/actual dividend		
Common Equity Tier 1 capital before regulatory adjustments	10 551	9 514
Deferred tax assets		
Intangible assets		
IRB provisions shortfall (-)[1]	-61	-69
Deduction for investments in credit institutions (50%)		
Pension assets in excess of related liabilities		
Other items, net	-46	-99
Total regulatory adjustments to Common Equity Tier 1 capital	-107	-168
Common Equity Tier 1 capital (net after deduction)	**10 444**	**9 346**
Additional Tier 1 capital before regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital		
Additional Tier 1 capital		
Tier 1 capital (net after deduction)	**10 444**	**9 346**
Tier 2 capital before regulatory adjustments	780	780
IRB provisions excess (+)/shortfall (-) [1]		
Deduction for investments in credit institutions (50%)		
Deductions for investments in insurance companies		
Pension assets in excess of related liabilities		
Other items, net		
Total regulatory adjustments to Tier 2 capital		
Tier 2 capital	780	780
Own funds (net after deduction) [2]	**11 224**	**10 126**

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

[2] Including profit.

Note 15
Capital adequacy cont.

Common Equity Tier 1 capital and Tier 1 capital
Common Equity Tier (CET) 1 capital is defined as eligible capital including eligible reserves, net of regulatory required deductions made directly to CET 1 capital. The capital recognised as CET 1 capital holds the ultimate characteristics for loss absorbance defined from a going concern perspective and represents the most subordinated claim in the event of liquidation. The Tier 1 capital is defined as the sum of CET 1 capital and Additional Tier 1 (AT1) capital where AT1 capital is the total of instruments (hybrids) issued by the bank that meet the transitional regulatory criteria and not included in the CET1 net after AT1 deductions. All AT1 capital instruments are undated subordinated capital loans.

Eligible capital and eligible reserves
Paid up capital is the share capital contributed by shareholders, including the share premium paid. Eligible reserves consist primarily of retained earnings, other reserves and income from current year. Retained earnings are earnings from previous years reported via the income statement. Positive income from current year is included as eligible capital after verification by the external auditors; however negative income must be deducted. Repurchased own shares or own shares temporary included in trading portfolios are deducted from eligible reserves.

Additional Tier 1 instruments
The inclusion of undated subordinated loans in additional Tier 1 capital is restricted and repurchase can normally not take place until five years after original issuance of the instrument. Undated subordinated loans may be repaid only upon decision by the Board of Directors in Nordea Eiendomskreditt and with the permission of the Norwegian FSA. Further, there are restrictions related to step-up conditions, order of priority, and interest payments under constraint conditions. Additional Tier 1 instruments issued that fulfil the regulatory requirements are fully included whereas remaining instruments are phased out according to transitional rules.
For the additional Tier 1 instruments, conditions specify appropriation in order to avoid being obliged to enter into liquidation. To the extent that may be required to avoid liquidation, the principal amounts of additional Tier 1 instruments (together with accrued interest) would be written down and converting such amount into a conditional capital contribution.

Tier 2 capital
Tier 2 capital must be subordinated to depositors and general creditors of the bank. It cannot be secured or covered by a guarantee of the issuer or related entity or include any other arrangement that legally or economically enhances the seniority of the claim vis-á-vis depositors and other bank creditors.

Tier 2 instruments
Tier 2 instruments consist mainly of subordinated debt. Tier 2 instruments include two different types of subordinated loan capital; undated loans and dated loans. Tier 2 instruments issued that fulfil the regulatory requirements are fully included whereas remaining instruments are phased out according to transitional rules.
The basic principle for subordinated debt in own funds is the order of priority in case of a default or bankruptcy situation. Under such conditions, the holder of the subordinated loan would be repaid after other creditors, but before shareholders. The share of outstanding loan amount possible to include in the Tier 2 capital related to dated loans is reduced if the remaining maturity is less than five years.

Minimum capital requirement and REA, Risk Exposure Amount

NOKm	31 Dec 2015 Minimum capital requirement	31 Dec 2015 REA	31 Dec 2014 Minimum capital requirement	31 Dec 2014 REA
Credit risk	**1 073**	**13 415**	**1 069**	**13 355**
- of which counterparty credit risk	117	1 456	86	1 070
IRB	954	11 930	981	12 256
- of which corporate				
- of which advanced				
- of which foundation				
- of which institutions				
- of which retail	954	11 930	981	12 256
- of which secured by immovable property collateral	905	11 319	902	11 266
- of which other retail	49	611	79	990
- of which other	0	0	0	0

Note 15

Capital adequacy cont.

Minimum capital requirement and REA, Risk Exposure Amount

NOKm	31 Dec 2015 Minimum capital requirement	31 Dec 2015 REA	31 Dec 2014 Minimum capital requirement	31 Dec 2014 REA
Standardised	119	1 485	88	1 099
– 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	1 485	88	1 099
– 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				
Credit Value Adjustment Risk				
Market risk				
– of which trading book, Internal Approach				
– of which trading book, Standardised Approach				
– of which banking book, Standardised Approach				
Operational risk	**220**	**2 747**	**168**	**2 101**
Standardised	220	2 747	168	2 101
Additional risk exposure amount due to Article 3 CRR	11	135		
Sub total	**1 304**	**16 297**	**1 237**	**15 456**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor [1]	2 573	32 172	2 946	36 825
Total	**3 877**	**48 469**	**4 183**	**52 281**

[1] Norwegian regulatory requirement as reported under the Basel II regulation framework

Capital adequacy ratios

	31 Dec 2015	31 Dec 2014
Excl. Basel I floor		
Common Equity Tier 1 capital ratio, including profit	64.1 %	60.5 %
Tier 1 capital ratio, including profit	64.1 %	60.5 %
Total Capital ratio, including profit	68.9 %	65.5 %
Capital adequacy quotient (own funds/capital requirement)	8.6	8.2
Incl. Basel I floor		
Common Equity Tier 1 capital ratio, including profit	21.5 %	17.9 %
Tier 1 capital ratio, including profit	21.5 %	17.9 %
Total Capital ratio, including profit	23.2 %	19.4 %
Capital adequacy quotient (own funds/capital requirement)	2.9	2.4

Note 15
Capital adequacy cont.

Analysis of Capital Requirements

Exposure class	Average risk weight (%)	Capital requirement [1]
Corporate IRB		
Institutions IRB		
Retail IRB	11	954
Sovereigh		
Other	20	119
Total credit risk	**11**	**1 073**

[1] 8% minimum capital requirement, NOKm

Leverage ratio	**31 Dec 2015**	**31 Dec 2014**
Tier 1 capital, transitional definition, NOKm[1]	10 444	9 346
Leverage ratio exposure, NOKm	130 142	132 111
Leverage ratio, percentage	8.0	7.1

[1] Including profit of the period

Note 16
Classification of financial instruments

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

31 December 2015

NOKt	Loans and receivables	Assets at fair value through profit and loss – Held for trading [1]	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets						
Loans to credit institutions	143 720					143 720
Loans to the public	106 432 216					106 432 216
Interest-bearing securities		1 498 313				1 498 313
Derivatives			6 834 690			6 834 690
Fair value changes of the hedged items in portfolio hedge of interest rate risk	64 358					64 358
Other assets	243 659					243 659
Prepaid expenses and accrued income	119 841					119 841
Total assets	**107 003 794**	**1 498 313**	**6 834 690**	**0**	**0**	**115 336 796**

	Liabilities at fair value through profit and loss – Held for trading [1]	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities					
Deposits by credit institutions			20 027 995		20 027 995
Debt securities in issue			81 628 343		81 628 343
Derivatives	65 331	208 116			273 447
Fair value changes of the hedged items in portfolio hedge of interest rate risk			1 601 519		1 601 519
Current tax liabilities				352 261	352 261
Other liabilities				2 738	2 738
Accrued expenses and prepaid income			721	1 615	2 336
Deferred tax				109 005	109 005
Retirement benefit obligations				5 194	5 194
Subordinated loan capital			783 300		783 300
Total liabilities	**65 331**	**208 116**	**104 041 878**	**470 813**	**104 786 139**

[1] No assets or liabilities were classified as held for trading other than interest-bearing securities and derivatives held for economic hedging, which do not meet the requirements for hedge accounting according to IAS 39.

Note 16

Classification of financial instruments

31 December 2014

NOKt	Loans and receivables	Assets at fair value through profit and loss – Held for trading [1]	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets						
Loans to credit institutions	144 486					144 486
Loans to the public	114 884 186					114 884 186
Derivatives			4 733 675			4 733 675
Fair value changes of the hedged items in portfolio hedge of interest rate risk	117 269					117 269
Other assets					282	282
Prepaid expenses and accrued income	184 858					184 858
Total assets	**115 330 799**	**0**	**4 733 675**	**0**	**282**	**120 064 755**

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

[1] No assets or liabilities were classified as held for trading other than derivatives held for economic hedging, which do not meet the requirements for hedge accounting according to IAS 39.

Note 17

Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2015		31 Dec 2014	
NOKt	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	106 640 294	110 883 566	115 145 941	115 145 941
Interest-bearing securities	1 498 313	1 498 313	0	0
Derivatives	6 834 690	6 834 690	4 733 675	4 733 675
Other financial assets	243 659	243 659	0	0
Prepaid expenses and accrued income	119 841	119 841	184 858	184 858
Total financial assets	**115 336 796**	**119 580 069**	**120 064 474**	**120 064 474**
Financial liabilities				
Deposits and debt instruments	104 041 157	103 954 314	109 529 995	110 828 840
Derivatives	273 447	273 447	363 824	363 824
Other financial liabilities	0	0	0	0
Accrued expenses and prepaid income	0	0	1 293	1 293
Total financial liabilities	**104 314 605**	**104 227 761**	**109 895 112**	**111 193 957**

Note 17
Assets and liabilities at fair value cont.

For information about valuation of items measured at fair value on the balance sheet, see Note 1 Accounting policies and the section "Determination of fair values for items measured at fair value on the balance sheet" below. For information about valuation of items not measured at fair value on the balance sheet, see the section "Financial assets and liabilities not held at fair value on the balance sheet".

Assets and liabilities at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2015, NOKt	Quoted prices in active markets for the same instrument Instruments with quoted prices (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet [1]				
Interest-bearing securities		1 498 313		1 498 313
Derivatives		6 834 690		6 834 690
Total assets	**0**	**8 333 003**	**0**	**8 333 003**

31 Dec 2015, NOKt	Quoted prices in active markets for the same instrument Instruments with quoted prices (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Liabilities at fair value on the balance sheet [1]				
Derivatives		273 447		273 447
Total liabilities	**0**	**273 447**	**0**	**273 447**

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

31 Dec 2014, NOKt	Quoted prices in active markets for the same instrument Instruments with quoted prices (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet [1]				
Derivatives		4 733 675		4 733 675
Total assets	**0**	**4 733 675**	**0**	**4 733 675**
Liabilities at fair value on the balance sheet [1]				
Derivatives		363 824		363 824
Total liabilities	**0**	**363 824**	**0**	**363 824**

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

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

Fair value measurements of assets and liabilities carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. Nordea Eiendomskreditt AS has no financial assets or financial liabilities measured according to level 1.

Level 2 in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. The fair values are based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Alternatively, the fair values are estimated using valuation techniques or valuation models based on market prices or rates prevailing at the balance sheet date, and any unobservable inputs have had an insignificant impact on the fair values. This is the case for interest-bearing securities and derivatives in Nordea Eiendomskreditt AS.

Note 17

Assets and liabilities at fair value cont.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. Nordea Eiendomskreditt AS has no financial assets or financial liabilities measured according to level 3.

All valuation models, both complex and simple models, make use of market parameters. These parameters comprise interest rates, volatilities, correlations etc. Some of these parameters are observable while others are not. For non-exotic currencies the interest rates are all observable, and the volatilities and the correlations of the interest rates and FX rates are observable up to a certain maturity. For each instrument the sensitivity towards unobservable parameters is measured. If the impact from unobservable parameters on the valuation is significant the instrument is categorised as Level 3 in the fair value hierarchy.
For interest-bearing securities the categorisation into the three levels are based on the internal pricing methodology. These instruments can either be directly quoted in active markets (Level 1) or measured using a methodology giving a quote based on observable inputs (Level 2). Level 3 bonds are characterised by illiquidity.

Fair value of financial assets and liabilities are generally calculated as the theoretical net present value of the individual instruments, based on independently sourced market parameters as described above, and assuming no risks and uncertainties. This calculation is supplemented by a portfolio adjustment.

Another important part of the portfolio adjustment serves to adjust the net open market risk exposures from mid-prices to ask or bid prices (depending on the net position). For different risk categories, exposures are aggregated and netted according to internal guidelines and aggregated market price information on bid-ask spreads are applied in the calculation. Spreads are updated on a regular basis.

Transfers between Level 1 and 2

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

The valuation processes for fair value measurements in Level 3

Financial instruments

Nordea has an independent specialised valuation control unit, Group Valuation Control (GVC). GVC has the responsibility of setting the Nordea valuation framework as well as overseeing and independently assessing valuations of financial instruments held at fair value on Nordea´s balance sheet. GVC issues the Nordea Group Valuation Policy, which is approved by the Group Valuation Committee. The Group Valuation Committee governs valuation matters and also serves as escalation point for valuation issues. Further escalation of valuation issues is addressed by the Assets and Liabilities Committee, which reports to the Board of Directors.

The valuation control process in Nordea consists of several steps. The first step is to determine the end of day (EOD) marking of mid-prices. It is the responsibility of the trading organisation to set correct prices used for the valuation process, these prices are either internally marked prices set by trading or externally sourced prices. These valuation prices and valuation approaches are then controlled and tested by independent control units. The cornerstone in the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by using independently sourced data that best reflects the market. Finally the results of valuation testing and valuations are analysed and any findings are escalated with valuation committees as decision bodies.

The verification of the correctness of prices and other parameters is carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis. This quality assessment is used in the measurement of the valuation uncertainty.

The valuation adjustment at portfolio level and the deferrals of day 1 P/L on Level 3 trades are calculated and reported on a monthly basis. The actual assessment of instruments in the fair value hierarchy is performed on a continous basis.

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

31 Dec 2015, NOKt	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet			
Loans	106 640 294	110 883 566	3
Other financial assets	243 659	243 659	3
Prepaid expenses and accrued income	119 841	119 841	3
Total assets	**107 003 794**	**111 247 066**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	104 041 157	103 954 314	3
Other financial liabilities	0	0	3
Accrued expenses and prepaid income	0	0	3
Total liabilities	**104 041 157**	**103 954 314**	

Note 17

Assets and liabilities at fair value cont.

Loans

The fair value of "Loans to credit institutions" and "Loans to the public" have been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending in Retail Banking. The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Other assets and prepaid expenses and accrued income

The balance sheet items "Other assets" and "Prepaid expenses and accrued income" consist of short receivables, mainly accrued interest receivables. The fair value is therefore considered to equal the carrying amount and is caterorised into Level 3 in the fair value hierarchy.

Deposits and debt instruments

The fair value of "Deposits by credit institutions", "Debt securities in issue" and "Subordinated liabilities" has been calculated as the carrying amount adjusted for fair value changes in interest rate risk and in own credit risk. The fair value is categorised into Level 3 in the fair value hierarchy. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rate in the portfolios. The fair value changes in the credit risk is calculated as the difference between the credit spread in the nominal interest rate compared with the current spread that is observed in the market. This calculation is performed on an aggregated level for all long term issuance recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities". As the contractual maturity is short for "Deposits by credit institutions" the changes in own credit risk related to these items is assumed not to be significant. This is also the case for short term issuances recognised in the balance sheet items "Debt securities in issue" and "Subordinated liabilities".

Other liabilities and accrued expenses and prepaid income

The balance sheet items "Other liabilties" and "Accrued expenses and prepaid income" consist of short-term liabilities, mainly liabilities on securities settlement. The fair value is therefore considered to be equal to the carrying amount and is caterorised into Level 3 in the fair value hierarchy.

Note 18

Financial instruments set off on balance or subject to netting agreements

				Amounts not set off but subject to master netting agreements and similar agreements			
31 December 2015, NOKt	Gross recognised financial assets[1)]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet	Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	6 834 690		6 834 690	-273 447			6 561 242
Reverse repurchase agreements			0				0
Securities borrowing agreements			0				0
Total	**6 834 690**	**0**	**6 834 690**	**-273 447**	**0**	**0**	**6 561 242**

				Amounts not set off but subject to master netting agreements and similar agreements			
31 December 2015, NOKt	Gross recognised financial liabilities[1)]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet	Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	273 447		273 447	-273 447			0
Repurchase agreements			0				0
Securities lending agreements			0				0
Total	**273 447**	**0**	**273 447**	**-273 447**	**0**	**0**	**0**

1) All amounts are measured at fair value.

Note 18

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

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

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

1) All amounts are measured at fair value.

Enforcable master netting arrangements and similar agreements

The fact that financial instruments are being accounted for on a gross basis on the balance sheet, would not imply that the financial instruments are not subject to master netting agreements or similar arrangements. Generally financial instruments (derivatives, repos and securities lending transactions), would be subject to master netting agreements, and as a consequence Nordea would be allowed to benefit from netting both in the ordinary course of business and in the case of default towards its counter parties, in any calculations involving counterparty credit risk. The reason why the netted exposures are not reflected under assets and liabilities on the balance sheet, would in most instances depend on the limited application of net settlement of financial transactions.

Note 19

Assets and liabilities in foreign currencies

	31 December 2015				31 December 2014			
NOKt	NOK	USD	GBP	Total	NOK	USD	GBP	Total
Assets								
Loans to credit institutions	143 722		-2	143 720	144 486			144 486
Loans to the public	106 432 216			106 432 216	114 884 186			114 884 186
Interest-bearing securities	1 498 313			1 498 313				
Other assets	7 014 009	152 366	96 173	7 262 548	4 735 774	238 652	61 657	5 036 084
Total assets	**115 088 260**	**152 366**	**96 171**	**115 336 796**	**119 764 445**	**238 652**	**61 657**	**120 064 755**
Liabilities and equity								
Deposits by credit institutions	20 027 995			20 027 995	17 053 883			17 053 883
Debt securities in issue	64 588 965	8 866 284	8 173 094	81 628 343	76 749 646	7 435 712	5 796 523	89 981 881
Subordinated liabilities	783 300			783 300	783 868			783 868
Other liabilities and equity	12 689 912	106 691	100 556	12 897 158	11 925 952	249 570	69 601	12 245 123
Total liabilities and equity	**98 090 171**	**8 972 975**	**8 273 649**	**115 336 796**	**106 513 349**	**7 685 282**	**5 866 124**	**120 064 755**
Position not reported in the balance sheet	**-16 998 110**	**8 820 612**	**8 177 498**	**0**	**-13 251 831**	**7 447 492**	**5 804 339**	**0**
Net position, currencies	**-22**	**2**	**20**	**0**	**-735**	**862**	**-127**	**0**

Note 20
Maturity analysis for assets and liabilities

Contractual undiscounted cash flows

31 Dec 2015, NOKt

	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Interest-bearing financial assets	343 880	3 030 750	5 669 530	33 913 274	88 937 075	131 894 509
Non interest-bearing financial assets					7 262 548	7 262 548
Non-financial assets					0	0
Total assets	**343 880**	**3 030 750**	**5 669 530**	**33 913 274**	**96 199 623**	**139 157 057**
Interest-bearing financial liabilities		20 363 736	16 809 705	54 352 474	16 665 883	108 191 798
Non interest-bearing financial liabilities					1 875 688	1 875 688
Non-financial liabilities and equity					11 021 470	11 021 470
Total liabilities and equity	**0**	**20 363 736**	**16 809 705**	**54 352 474**	**29 563 041**	**121 088 956**
Derivatives, cash inflow		276 476	10 082 620	11 048 637	534 651	21 942 385
Derivatives, cash outflow		323 755	6 388 692	8 450 394	147 963	15 310 805
Net exposure		**-47 279**	**3 693 928**	**2 598 243**	**386 688**	**6 631 580**
Exposure	**343 880**	**-17 380 265**	**-7 446 247**	**-17 840 957**	**67 023 270**	**24 699 681**
Cululative exposure	**343 880**	**-17 036 385**	**-24 482 632**	**-42 323 589**	**24 699 681**	

The table is based on contractual maturities for on balance sheet financial instruments. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the on balance sheet and derivative instruments, Nordea Eiendomskreditt has credit commitments amounting to tnok 14,123,350, which could be drawn on at any time.

31 Dec 2014, NOKt

	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Interest-bearing financial assets	198 177	2 149 923	6 179 680	39 158 649	107 326 676	155 013 105
Non interest-bearing financial assets					5 035 802	5 035 802
Non-financial assets					282	282
Total assets	**198 177**	**2 149 923**	**6 179 680**	**39 158 649**	**112 362 760**	**160 049 189**
Interest-bearing financial liabilities		27 501 514	8 490 673	64 495 499	16 208 474	116 696 160
Non interest-bearing financial liabilities					2 072 998	2 072 998
Non-financial liabilities and equity					10 169 644	10 169 644
Total liabilities and equity	**0**	**27 501 514**	**8 490 673**	**64 495 499**	**28 451 116**	**128 938 802**
Derivatives, cash inflow		242 223	14 339 032	10 036 478	1 481 965	26 099 699
Derivatives, cash outflow		427 057	12 971 243	8 528 842	706 491	22 633 634
Net exposure		**-184 834**	**1 367 789**	**1 507 636**	**775 474**	**3 466 065**
Exposure	**198 177**	**-25 536 425**	**-943 204**	**-23 829 214**	**84 687 118**	**34 576 452**
Cululative exposure	**198 177**	**-25 338 248**	**-26 281 452**	**-50 110 666**	**34 576 452**	

The table is based on contractual maturities for on balance sheet financial instruments. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the on balance sheet and derivative instruments, Nordea Eiendomskreditt has credit commitments amounting to tnok 14,737,493, which could be drawn on at any time.

Note 21
Related-party transactions

NOKt	2015			2014		
	Nordea Bank Norge ASA	Nordea Bank AB	Nordea Bank Finland Plc.	Nordea Bank Norge ASA	Nordea Bank AB	Nordea Bank Finland Plc.
Profit and loss account						
Interest income on loans with financial institutions	6 109			4 452		
Total income	6 109	–	–	4 452	–	–
Interest expenses on liabilities to financial institutions	206 807			269 157		
Interest and related expense on securities issued incl. hedging	-313 291			82 979		
Net gains/losses on items at fair value	124 926			1 061 649		
Interest and related expense on subordinated loan capital	39 276			42 207		
Commission and fee expense for banking services	22			312		
Other operating expenses	148 413	1 208	248	149 743	1 451	
Total expenses	206 153	1 208	248	1 606 048	1 451	–
Balance sheet						
Loans and receivables to credit institutions	143 720			144 486		
Derivatives	6 834 690			4 733 675		
Total assets	6 978 409	–	–	4 878 161	–	–
Deposits by credit institutions	20 026 000			17 050 000		
Issued bonds	–		357 614	10 000 000		354 057
Derivatives	273 447			363 824		
Accrued expenses and prepaid income	3 929			5 043		
Subordinated loan capital	780 000			780 000		
Share capital and share premium	3 133 627			3 133 627		
Total libilities and equity	24 217 003	–	357 614	31 332 494	–	354 057
Off balance sheet items						
Interest rate swaps (nominal value)	90 977 722			78 608 323		

In addition to the transactions recognised above, Nordea Eiendomskreditt AS also purchases loans to the public, which constitute Nordea Eiendomskreditt's cover pool, from Nordea Bank Norge. Instalments, early redemptions and refinancings will over time reduce the comapany'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 overcollaterization. This year to date, loans amounting to NOK 29.2 billion have been transferred from Nordea Bank Norge ASA to Nordea Eiendomskreditt AS.

Nordea Eiendomskreditt AS is a wholly owned subsidiary of Nordea Bank Norge ASA, which again is a wholly owned subsidiary of Nordea Bank AB. Transactions between Nordea Eiendomskreditt AS and other legal entities in the Nordea Group are performed according to marked based principles in conformity with OECD requirements on transfer pricing.

Note 22

Interest-bearing securities

	31 Dec 2015		31 Dec 2014	
NOKt	Aquired amount	Carrying amount	Aquired amount	Carrying amount
Financial assets				
State and sovereign	1 498 025	1 498 313	0	0
Total	**1 498 025**	**1 498 313**	**0**	**0**

Note 23

Credit risk disclosures

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital management section of the Board of Directors´ Report. Additional information on credit risk is also disclosed in the Capital and Risk Management Report (Pillar III) 2015, which is available at www.nordea.com.
Credit risk is defined as the risk of loss if counterparts fail to fulfil their agreed obligations and that the pledged collateral does not cover the claims. Credit risk stems mainly from various forms of lending, but also from counterparty credit risk in derivatives contracts.
The figures in the table represents maximum exposure for credit risk in the company.

Credit risk exposures for loans and derivatives

NOKm	**31 Dec 2015**	**31 Dec 2014**
Loans to credit institutions	144	144
Interest-bearing securities	1 498	0
Loans to the public incl accrued interest	106 552	115 069
- of which household	106 552	115 069
Total loans and receivables	**108 194**	**115 214**
Off balance credit exposure		
- of which lending to the public	14 123	14 737
- of which derivatives	6 561	4 370
Off balance credit exposure	**20 685**	**19 107**
Total credit exposure	**128 879**	**134 321**

Past due loans excluding non-performing loans

The table below shows loans past due 6 days or more, that are not considered non-performing.

NOKm	**31 Dec 2015**	**31 Dec 2014**
6-30 days	948	1 434
31-60 days	141	182
61-90 days	45	61
>90 days	21	38
Total	**1 156**	**1 715**

Note 24

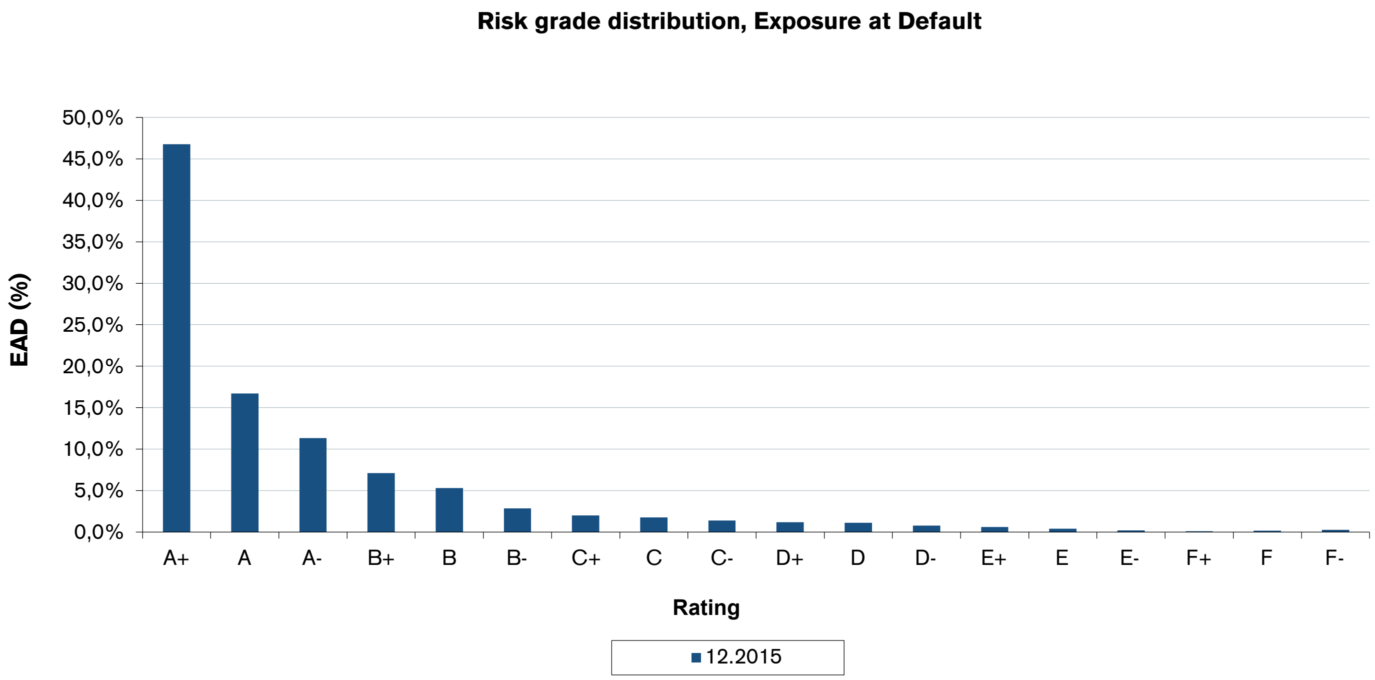
Scoring distribution of the lending portfolio

Scoring models are pure statistical methods to predict the probability of customer default. The models are used in the household segment as well as for small corporate customers. Bespoke behavioural scoring models, developed on internal data, are used to support the credit approval process in Nordea Bank Norge. This is also valid for loans in Nordea Eiendomskreditt's lending portfolio.

As a supplement to the behavioural scoring models also bureau information is used in the credit process. The internal behaviour scoring models are used to identify the PD (Probability of Default), in order to calculate the economic capital and REA (Risk Exposure Amount) for customers.

The scoring model is validated annually. According to the model, performing customers are allocated into one of 18 categories, with customers in category A+ representing the best ability to service the debt.

31 Dec 2015



To the Annual Shareholders' Meeting of Nordea Eiendomskreditt AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Nordea Eiendomskreditt AS, which comprise the balance sheet as at 31 December 2015, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of Nordea Eiendomskreditt AS as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 10 February 2016
PricewaterhouseCoopers AS

Marius Kaland Olsen
State Authorised Public Accountant (Norway)

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

The Board of Directors and the Managing Director have today considered and approved the Annual Report and accounts of Nordea Eiendomskreditt AS for 2015, including comparative figures for 2014 (the "2015 Annual Report").

The Annual Report has been prepared in accordance with IFRS as adopted by the EU and additional Norwegian disclosure requirements pursuant to the Accounting Act, the Regulations for Annual Accounts and the Securities Trading Act. The Board of Directors and the Managing Director consider that to the best of their knowledge, the 2015 Annual Report has been prepared in accordance with the current accounting standards, and the information contained in the accounts gives a true and fair view of the company's assets, liabilities and financial position as of 31 December 2015 and as of 31 December 2014.

The Board of Directors and the Managing Director consider that to the best of their knowledge, the Board of Directors' report gives a true and fair view of the company's activities, its commercial position and results. The Board of Directors and the Managing Director also consider that to the best of their knowledge, the description of the most relevant risk factors the company faces gives a true and fair view.

Nordea Eiendomskreditt AS
Oslo, 10 February 2016

Jon Brenden
Chairman of the Board

Børre Gundersen
Member of the Board

Ola Littorin
Member of the Board

Eva I. E. Jarbekk
Member of the Board

Alex Madsen
Member of the Board

Marianne Glatved
Managing director

Report by the Control Committee 2015

To the Annual Shareholders' Meeting of Nordea Eiendomskreditt AS

During 2015 the Control Committee has inspected the Company's activities in accordance with the Act on financing activity and financial institutions § 3-11 and the instructions issued by Finanstilsynet 18 December 1995.

The Control Committee has examined the accounts for 2015 and is of the view that they are in accordance with prevailing accounting regulations and International Financial Reporting Standards settled by the European Union. The Control Committee considers the Board of Directors' evaluation of the Company's financial position adequate and recommends that the income statement and balance sheet are adopted as presented.

With reference to other aspects of the accounts for 2015 the Control Committee refers to the auditor's report of 10 February 2016 and supports the views expressed therein concerning the submitted annual accounts.

Oslo, 16 February 2016

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

Governing bodies 31 December 2015

Board of Directors

Members	Title	Board member since
Jon Brenden, Chairman	Deputy Head of Banking Norway, Nordea Bank Norge ASA	2010
Børre Gundersen	Head of Household Strategy & Development, Nordea Bank Norge ASA	2010
Ola Littorin	Head of Long Term Funding in Group Treasury, Nordea Bank AB	2013
Eva I. E. Jarbekk	Lawyer and partner, Føyen Advokatfirma DA	2010
Alex Madsen	Partner, Sjølyst Regnskap ANS	2014

Control Committee

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

Committee of Representatives

Members	Title
Anne Stärk-Johansen, Chairman	Private Banking Special Clients, Nordea Bank Norge ASA
Jon Kristian Abel, Deputy chairman	Head of CSU CB Oslo Akershus, Nordea Bank Norge ASA
Brynjolv Anke	Deputy Head of Banking Norway, Nordea Bank Norge ASA
Toril Bjørnstad Hanstad	Head of Credit Central Area 2, Nordea Bank Norge ASA
Mathias Martinsen	Management partner in Wholesale Banking, Nordea Bank Norge ASA
Ingunn Andersen Randa	Senior Relationship Manager, Nordea Bank Norge ASA

Auditor

PricewaterhouseCoopers AS
Marius Kaland Olsen (State Authorized Public Accountant)
Sandviksbodene 2A
5035 Bergen

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