Nordea

Annual Report 2012

Nordea Bank Norge

Contents

Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. We are making it possible for our 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 1,000 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.

The following is a translation of the Norwegian original document. The original Norwegian text shall be the governing text for all purposes and in the case of any discrepancy the Norwegian wording shall be applicable.

Nordea Bank Norge Group

Key financial figures

Business volumes, key items

	2012	2011	Change %	2010	2009
Total operating income, NOKm	12,083	11,336	7	11,650	11,243
Total operating expenses, NOKm	5,041	5,323	-5	5,076	5,324
Profit before loan losses, NOKm	7,042	6,013	17	6,574	5,919
Net loan losses, NOKm	958	1,432	-33	725	2,004
Operating profit, NOKm	6,084	4,581	33	5,849	3,915
Net profit for the year, NOKm	4,403	3,347	32	4,300	2,634
Loans to the public, NOKbn	456.0	464.4	-2	439.2	422.3
Deposits and borrowings from the public, NOKbn	219.0	223.2	-2	234.1	217.2
of which savings deposits	89.6	87.2	3	79.1	64.0
Equity, NOKbn	36.2	30.4	19	29.6	26.7
Total assets, NOKbn	581.7	589.3	-1	497.3	534.0

Ratios and key figures

	2012	2011	2010	2009
Earnings per share (EPS), NOK	7.99	6.07	7.8	4.8
Equity per share[1], NOK	65.74	55.16	53.62	48.51
Shares outstanding[1], million	551	551	551	551
Return on equity, %	13.9	11.6	15.6	10.1
Cost/income ratio, %	42	47	44	47
Loan loss ratio, basis points	19	32	17	45
Core tier 1 capital ratio, excluding transition rules[1], %	14.6	10.1	9.4	8.9
Tier 1 capital ratio, excluding transition rules[1], %	16.7	12.0	10.0	9.5
Total capital ratio, excluding transition rules[1], %	17.6	13.4	12.8	12.2
Core tier 1 capital ratio, including transition rules [1], %	10.7	8.0	7.9	7.6
Tier 1 capital ratio, including transition rules[1], %	12.3	9.5	8.5	8.1
Total capital ratio, including transition rules [1], %	13.0	10.6	10.8	10.5
Core tier 1 capital [1], NOKm	33,774	26,302	24,529	23,836
Tier 1 capital[1], NOKm	38,589	31,239	26,223	25,509
Risk-weighted assets, incl transition rules[1], NOKbn	314	329	310	314
Number of employees[1,2] (full-time equivalents)	2,889	3,132	3,229	3,244

[1] End of the year.

[2] The figure for 2009 has been restated to not include employees on leave of absence.

Nordea Bank Norge Board of Directors' report

Throughout this report the terms "Nordea Bank Norge" and "NBN" refer to Nordea Bank Norge ASA and its subsidiaries. The term "Nordea" refers to Nordea Bank AB (publ). Nordea Bank Norge ASA is a wholly owned subsidiary of Nordea Bank AB (publ), the parent company in the Nordea Group.

Nordea Bank Norge ASA is domiciled in Oslo and its business registration number is 911 044 110.

Group organisation

As part of the Nordea Group, NBN operates in the banking business. All the operations of NBN are integrated in the operations of the Nordea Group, whose annual report, with activities and earnings reported by the business areas, encompasses all the operations of NBN.

Legal structure

Nordea aims at continuous simplification of its legal structure and as regards the Nordic banks the aim is that Nordea Bank AB (publ) will be converted into a European company. Among other things, a conversion is conditional on Nordea obtaining necessary approvals from the relevant authorities.

The final regulatory responses to the financial crisis are yet to be seen, and to be evaluated. Nordea is following up and analysing the changes in process, which are not expected to be finalised during 2013.

Subsidiaries and foreign branches

Nordea Bank Norge ASA has subsidiaries in Norway and branches abroad in New York and Cayman Island. The most significant subsidiaries are Nordea Eiendomskreditt AS (NE) and Nordea Finans Norge AS (NFN). In the following NBN Group's figures are commented. The difference between NBN Group's figures and the parent company's figures are in most cases small unless otherwise stated.

NE is used to secure competitive funding by issuing covered bonds secured with household mortgage loans. During 2010, the risk in the household mortgage loans was transferred to NE, thus derecognising of the loans in NBN and recognition in NE was performed. NBN Group figures remain unchanged. In 2012 a total of NOK 17.3bn in covered bonds were issued by NE. For more information about this, see Note 45 Covered bonds.

NFN has the business area responsibility for financing products in Norway. The company's main products are leasing, car financing, factoring and consumer credits. Nordea Bank Norge ASA increased its ownership interest from 67% to 100% of the shares in the real estate agency Privatmegleren AS during 2012. NBN has no foreign representative offices.

Macroeconomic and financial market development

The fourth quarter has been characterised by a continued improving sentiment as concerns over the European sovereign debt crisis eased further following the release of the next IMF tranche from the bailout fund to Greece. Furthermore, central banks continued to support markets with liquidity and the Federal Reserve geared its monetary policy towards the development in the unemployment rate.

Macroeconomic development

Global economic growth outlook remained weak although mixed across regions during the fourth quarter. Purchasing manager indices showed increasing weakness in manufacturing in core Europe, especially Germany while the US manufacturing PMI improved in the recovery from hurricane Sandy. The Eurozone economy contracted for the second consecutive quarter, as austerity and deleveraging continued to weigh on sentiment, and US employment and housing data continued to improve.

The Nordic economies overall continued to perform relatively well compared to the rest of Europe, benefitting from overall sound public finances, although still with uneven performance within the region. The fourth quarter showed some signs of a slowing growth in line with global trends with economic data indicating that exports in particular will be impacted by a weaker global growth picture. Norway continued to stand out as the strongest economy in the Nordics and the outlook remains positive.

Financial market development

Development in financial markets has been characterised by tightening credit spreads and performance by equities driven by the "zero-interest" environment, the bail-out package to Greece and the improving US economic data.

Peripheral interest rates fell further towards year-end supported by the improving sentiment and Italian and 10-year yields fell to a two-year low. Equity markets rose in Europe, while the US was impacted negatively towards year-end by the fiscal cliff discussions.

In addition, the weak European growth picture remains a concern and could lead to renewed market tensions.

The strong investor demand for Nordic sovereign debt and covered bonds has persisted throughout the quarter.

Business development in 2012

Despite continued macroeconomic challenges NBN has through its Relationship Strategy and New Normal

Initiatives achieved increased income, flat costs, reduced loan losses and reduced risk weighted assets (RWAs). With an even greater focus on our customers NBN has developed new products, broadened competence, held an increased number of advisory meetings and continued optimising distribution channels including telephone and internet banking along with a transformed branch network.

NBN has also seen success in its capital efficiency initiatives, achieving reduced Risk Weighted Assets (RWAs) and improved risk pricing. NBN FTE plans are on track and has demonstrated efficiency gains with its leaner employee base.

Business activity in household remained strong in 2012 with lending volumes up 5%, and increases in relationship customer group's in NBN. Markets is Norway's largest facilitator of corporate bonds in NOK, which are an alternative to corporate lending.

The strong focus on resource management among banks has resulted in increased competition for products with low capital requirements, and fierce competition for deposits.

In Shipping the tanker and dry cargo markets have been weak, due to lower global demand growth. This has affected freight rates negatively and caused further deterioration of collateral values, resulting in additional loan loss provisions. In other shipping segments, the situation is more stable. Nordea has necessary work-out resources to handle problem customers and early identification of new potential risk customers.

Nordea actively aims, at all levels in the organisation, to create awareness of the challenges and consequences imposed by new regulations, the macroeconomic development and changing customer behaviour. A decision was made in the last quarter to initiate further activities to reach the anticipated cost efficiency and profitability targets, mainly to be implemented during 2013.

Result summary for 2012

Income

Total operating income was NOK 12,083m (11,336), an increase of 7%, mainly driven by strong net interest income, increased net commission income and stronger results from items at fair value.

Net interest income increased by 7% to NOK 8,896m (8,349). The rise compared to 2011 stems mainly from growth in increased lending spreads in all major business areas, which reflect the current market conditions.

There is a net 2% reduction in lending to the public to NOK 456.0bn. Household experienced growth in lending volumes by 5% with increased demand for mortgages. This is offset by reduced corporate volumes from Shipping and CIB in line with a focus on credit quality and Risk Weighted Assets (RWA). Further reduced volumes relate to the negative foreign exchange effect from the Shipping portfolio due to an 8% stronger NOK versus the USD.

Net deposit volumes fell 2% at year end, although average volumes are less affected. Retail household deposit volume increased 4%, however this was offset by declines in deposit from corporate business areas, mainly Retail banking and Shipping.

Deposit spreads in Retail Corporate and Household have fallen while CIB and Shipping spreads are slightly up. The market for deposits remains fiercely competitive.

Net fee and commission income increased by 6% to NOK 2,412m. The rise is mainly driven by lending commissions with increased credit facility in Retail and strong results in CIB, partially offset by reduced activity in Shipping and Markets. Payment related commissions also rose with Cards as the main driver. The strong performance compared to last year was partially offset from a large one-time other commission income earned in 2011, and a one-time fee paid in 2012.

Net result on items at fair value was up from NOK 343m to NOK 456m. Interest related instruments were up NOK 289m from last year driven by Treasury with a strong result from its bond portfolio and interest related derivatives, which ended with losses in 2011. Further increase in interest instruments came from Markets activities and its bond portfolio. FX instruments contribution remained healthy with a reduced contribution from Treasury partially offset from higher results from Markets and Retail Banking. Equity contributed positively, yet fell from high levels last year due to non-recurring share sales, dividends and some large deals performed in Equity Finance in Markets.

Results from undertakings accounted for under the equity method is mainly related to Eksportfinans ASA. 2012 compared to 2011 shows decreased credit spreads, contributing to unrealised losses on the valuation of Eksportfinans' own debt. Also, reduced interest income as lending volumes continue to wind down contributed to reduced income. During 2012 Nordea has continued to apply its own valuation model towards the valuation of Eksportfinans' own debt, for further information see Note 20 Investments in associated undertakings.

Other operating income decreased slightly by NOK 2m.

Expenses

Total operating expenses fell 5% to NOK 5,041m, however these were flat compared to 2011 after adjusting for New

Normal effects of reduced staff in 2012, restructuring cost in 2011, and the transfer of staff to the Norwegian NBAB branch during 2012.

Staff cost normalised for the above effects are slightly increased by 1%. Adjusted fixed salary costs fell 2%, while variable salary costs rose, mainly from allocations to profit sharing and from Markets in correlation with the increased results. Pension costs were flat after adjustment for one-time effects. The number of full-time equivalents (FTE) was reduced by 8% and ended at 2,889, with reductions in all areas except Wealth Management. The reduction includes the transfer of 138 FTEs to the NBAB branch in the second quarter and is in line with the New Normal initiative.

Other expenses fell 5% to NOK 1,856m. When adjusting for the 2011 restructuring costs and the reporting of costs from the IT Service Entity (ITSE) as IT costs, which were presented as staff costs for NBN 2011, total other expenses have fallen approximately 9%. The decline is driven by reduced IT consulting costs and savings from the new ITSE. Further decreases were realised in consulting, marketing and travelling costs in line with New Normal initiatives. Depreciation increased due to impairments on various IT projects taken in the fourth quarter.

Net loan losses

Net loan losses fell 33% to NOK 958m, from NOK 1,432m in 2011. Loan losses are more diluted across a larger spread of corporate customers compared to 2011, with concentrations in Shipping & Offshore, Metals and Mining Materials, and Real Estate. Impaired loans gross were up 28% from the last quarter and 19% from last year. The net loan loss ratio at the end of the year was 19 basis points compared to 32 basis points in 2011. Individual loan losses amounted to 17 basis points, while collective loan losses ended at 2 basis points. The trend for collective loan losses has changed from 2011 and 2010 where net reversals of the collective loan loss provisions were accounted for.

Taxes

The income tax expense was NOK 1,681m, giving an effective tax rate of 27.6% (26.9) for NBN Group and 28.2% (26.9) for the parent company. The main reason for the effective tax rates being different from the general tax rate of 28% in Norway is the tax exempt method, "Fritaksmetoden", leading to tax-free gains/losses on shares and dividends within EEA.

Net profit

The net profit for the year rose 32% and amounted to NOK 4,403m (3,347) due to higher income, stable costs adjusted for one-time effects, and reduces loan losses. The return on equity was 13.9% (11.6).

Comments on the Balance Sheets - financial structure

Total assets were down by 1%, to NOK 582bn at the end of 2012. The Norwegian Krone (NOK) strengthened against the EUR by 5% and the USD by 8% compared to 2011.

Assets

The changes in the asset side of the balance sheet can be explained by three main drivers. There has been an increase in interest bearing securities of NOK13.7bn driven by the Available For Sale (AFS) portfolios in Treasury, offset by reduced lending to the public and lending to central banks and credit institutions.

The growth in interest bearing securities is a part of NBN's liquidity buffer. Lending decreased by 2% from last year, ending at NOK 456.0bn. Growth in Household of 5% was offset by reduced volumes in CIB and Shipping. Mortgage lending is now 96.0% of total Household lending volume. Of this amount, NOK 114bn (89) is recognised in the balance sheet of NE, used as collateral in securing the bonds issued in the Covered Bonds program. The movement of NOK 10bn in lending to credit institutions is a reflection of positions held in Treasury which fluctuate over time based on the liquidity position in the business areas.

Liabilities and funding activities

Total liabilities were NOK 545bn, a decrease of 2%, and can also be explained by three main drivers. Increased debt securities in issue were offset by reduced deposit levels and a drop in other liabilities.

Debt securities have increased 28% driven by the NE covered bonds program. Deposits from credit institutions are 84% (75) from within the Nordea group, a reflection of the advantage of having four home markets to utilise in managing Nordea's liquidity and funding positions. The reduction of 4% from last year relates mainly to the external deposits from credit institutions held in NBN due to large volumes at the end of 2011. Reduced deposits from the public were driven by Corporate Retail, CIB and Shipping. Other liabilities are lower due to elevated levels in 2011 from a covered bond portfolio that settled shortly after year end and did not recur at the year ended 2012.

Equity

Shareholder's equity grew 19% and ended at NOK 36.2bn as a result of Nordea's active policy to increase its capital ratios which included a capital increase in NBN of NOK 3bn in November 2012. The increase also includes net profit for the year of NOK 4,403m. During the year, a dividend of NOK 1.6bn was distributed to the owner, Nordea Bank AB (publ).

Appropriation of net profit for the year

The net profit in the parent company for the year amounted to NOK 3,421m.

According to IFRS, distribution of group contributions and dividends will not be booked before formal decision is made in the General Assembly. All net profit as of 31 December 2012 will therefore be distributed to retained earnings in the balance sheet as of 31 December 2012. As a part of the strategy for NBN, no dividend is planned to be paid from the 2012 earnings in order to strengthen the capital adequacy levels.

For the General Assembly 11 March 2013 it will be proposed that the net profit for 2012 be retained within NBN.

Nordea's funding and liquidity operations

Approximately NOK 17.3bn of covered bonds were issued during the year. For further information on liquidity management see pages 14-15.

Off-balance sheet commitments

The bank's business operations include different off-balance sheet items. For information on exposure regarding these items, see Note 36 Contingent liabilities and 37 Commitments.

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

The Board of Directors considers solidity as per 31 December 2012 to be healthy.

Other information

Plan 2015 and new capital policy

Nordea has decided to establish a plan for 2015 for increased return on equity (ROE) and a new capital policy for the new regulatory environment. The plan is set in order to shape the future of Nordea for sustainable profitability and efficiency, closer customer relationships and a solid capital position and follows on the New Normal plan, which has further strengthened Nordea's platform in 2012.

The Plan 2015 has an ambitious financial target of 15% ROE under normal market interest rate conditions and with a core tier 1 capital ratio of above 13%.

The capital policy states that, starting from 2015, the target for the core tier 1 capital ratio is to be above 13% and for the total capital ratio to be above 17%. The core tier 1 capital ratio is expected to stay above 13% during 2013 and onwards, including the effects from regulatory changes and model rollouts. The dividend policy remains unchanged. Excess capital is expected to be distributed to shareholders.

The capital policy is based on management's current best view on capitalisation although there is still uncertainty regarding the final outcome of the CRD IV / CRR. The targets are considered minimum targets under normal business conditions, as the regulatory framework is dynamic through the cycle.

The key components to increase ROE are solid income generation, strict cost control, improved capital efficiency and maintaining of the low risk profile.

Solid income generation is to be achieved by focus on ancillary income growth and efficient financing solutions with fair and transparent pricing. It is thereby supported by continued emphasis on strong corporate and household customer relationships and strict control of risk-weighted assets.

Cost efficiency is to be further increased with efficiency gains in operating expenses of 3% annually in the next three years, which seeks to ensure flat costs, despite inflation and necessary investments. The aim is to maintain largely unchanged costs, adjusted for currency effects and performance-related salaries, for at least the next two years.

Improved capital efficiency is to be obtained with a strict control of risk-weighted assets. The continued development of capital-efficient products and solutions will allow more volume growth than capital consumption.

Nordea will host a Capital Markets Day in London on 6 March 2013 where Group Executive Management will present the Plan 2015 and the new capital policy.

Risk, liquidity and capital management

Management of risk, liquidity and capital are key success factors in the financial services industry. The maintaining of risk awareness within the organisation is incorporated 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.

Management principles and control

Board of Directors and Board Risk Committee

The Board of Directors has the ultimate responsibility for limiting and monitoring the NBN'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 Board of Directors, which also decides on policies for credit, market, liquidity, business, life, operational risk management as well as the ICAAP. All policies are reviewed at least annually.

In the credit instructions, the Board of Directors decides on powers-to-act for credit committees at different levels within the Business Areas. These authorisations vary for different decision-making levels, mainly in terms of size of limits, and are also dependent on the internal rating of customers. The Board of Directors also decides on the limits for market and liquidity risk in NBN.

The Board Risk Committee assists the Board of Directors in fulfilling its oversight responsibilities concerning management and control of the risks, risk frameworks, as well as controls and processes associated with the Group's operations.

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. The CEO in Group Executive Management (GEM) decides on the targets for the Group's risk management regarding Structural Interest Income Risk (SIIR).

The CEO and GEM regularly review reports on risk exposure and have established a number of committees for risk, liquidity and capital management:

- The Asset and Liability Committee (ALCO), chaired by the Chief Financial Officer (CFO), prepares issues of major importance concerning the Group's financial operations and financial risks as well as capital management for decision by the CEO in GEM.

- The Risk Committee, chaired by the Chief Risk Officer (CRO), oversees the management and control of the Nordea Group's risks on an aggregate level and evaluates the sufficiency of the risk frameworks, controls and processes associated with these risks. Further, within the scope of resolutions adopted by the Board of Directors, the Risk Committee decides on the allocation of the market risk limits and liquidity risk limits to the risk-taking units Group Treasury and Markets. The limits are set in accordance with the business strategies and are reviewed at least annually. The heads of the units allocate the respective limits within the unit and may introduce more detailed limits and other risk mitigating techniques such as stop-loss rules.

- The Risk Committee has established sub-committees for its work and decision-making within specific risk areas. The Group Executive Management Credit Committee (GEM CC) and Executive Credit Committee (ECC) are 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 and industry policies for Nordea. Credit risk limits are granted as individual limits for customers or consolidated customer groups and as industry limits for certain defined industries.

CRO and CFO

Within the Group, two units, Group Risk Management and Group Corporate Centre, are responsible for risk, capital, liquidity and balance sheet management. Group Risk Management, headed by the CRO, is responsible for the risk management framework and processes as well as the capital adequacy framework. Group Corporate Centre, headed by the CFO, is responsible for the capital policy, the composition of the capital policy and for management of liquidity risk.

Each Business Area and Group Function is primarily responsible for managing the risks in its operations within the applicable limits and framework, including identification, control and reporting.

Risk appetite

Risk appetite within Nordea is defined as the level and nature of risk that the bank is willing to take in order to pursue the articulated strategy on behalf of shareholders, and is defined by constraints reflecting the views of shareholders, debt holders, regulators and other stakeholders.

The Board of Directors of Nordea is ultimately responsible for the overall risk appetite of Nordea and for setting the principles for how risk appetite is managed. The Board Risk Committee assists the Board of Directors in fulfilling these responsibilities by reviewing the development of the risk profile in relation to risk appetite and making recommendations regarding changes to Nordea's risk appetite.

Nordea's risk appetite framework is based on explicit top-down risk appetite statements ensuring comprehensive coverage of key risks faced by Nordea. These statements collectively define the boundaries for Nordea's risk-taking activities and will also help identify areas with scope for potential additional risk taking. The statements are approved by the Board of Directors, and set the basis for a new risk reporting structure. Moreover, the framework supports management decision processes such as planning and target setting.

The Risk Appetite framework considers key risks relevant to Nordea's business activities and is on an aggregate level represented in terms of credit risk, market risk, operational risk, solvency, compliance/non-negotiable risks, and liquidity risk.

The Risk Appetite framework is further presented in the Capital and Risk management Report (Pillar 3 report)

Monitoring and reporting

The "Policy for internal Control and Risk Management in the Nordea Group" states that the management of risks includes all activities aiming at indentifying, measuring, assessing, monitoring and controlling risks as well as measures to limit and mitigate consequences of the risks. Management of risks is proactive, emphasising training and risk awareness. The Nordea Group maintains a high standard of risk management by means of applying available techniques and methodology to its own needs. The control environment in Nordea is based on, among other things, the principles for segregation of duties and independence. Monitoring and reporting of risk is conducted on a daily basis for market and liquidity risk, and on a monthly and quarterly basis for credit and operational risk.

Risk reporting including reporting the development of RWA 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.

The Pillar 3 disclosure – Capital and risk management report

Additional and more detailed information on risk and capital management is presented in the Pillar 3 disclosure in line with the requirements of the CRD in the Basel II framework. The Pillar 3 disclosure is publicly available at www.nordea.com.

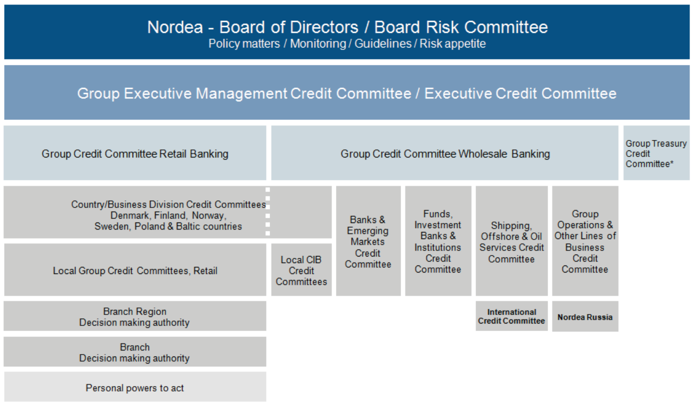
Risk management

Credit Risk management

Group Credit is responsible for the credit process framework and the credit risk management framework, consisting of policies, instructions and guidelines for Nordea. Group Credit Control is responsible for controlling and monitoring the quality of the credit portfolio and the credit process. Each customer area and product area is primarily responsible for managing the credit risks in its operations within the applicable framework and limits, including identification, control and reporting. Group Risk Management consolidates and monitors the credit risks on both Group and sub-levels.

Within the powers to act granted by the Board of Directors, credit risk limits are approved by decision-making authorities on different levels in the organisation. The rating and the exposure of the customer decide at what level the decision will be made. Responsibility for a credit exposure lies with a customer responsible unit. Customers are assigned a rating or score in accordance with the Nordea's rating and scoring guidelines.

Credit Decision-making structure for main operations



*Making decisions and allocations within limits approved by ECC

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. For monitoring the distribution of a portfolio, improving the risk management and defining a common strategy towards specific industries there are specific industry credit principles and industry credit policies in place establishing requirements and caps.

Individual and collective assessment of impairment

Throughout the process of identifying and mitigating credit impairments, Nordea works continuously to review the quality of the credit exposures. Weak and impaired exposures are closely and continuously monitored and reviewed at least on a quarterly basis in terms of current performance, business outlook, future debt service capacity and the possible need for provisions.

A provision is recognized if there is objective evidence based on loss events or 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 non-performing, and reported as impaired, or not impaired depending on the deemed loss potential.

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 rated and 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 quarterly balance sheet date.

Further information on credit risk is presented in Note 44 Credit risk disclosures to the financial statements.

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 and securities financing.

NBN's total loans decreased by 4% to NOK 474bn during 2012 (491), mainly attributable to a decrease in the corporate portfolio. Including off-balance sheet exposures and exposures related to securities, the total credit risk exposure at year end was NOK 669bn (676). Out of total lending to the public, corporate customers accounted for 52% (55) and household customers 48% (45). Loans to credit institutions, mainly in the form of inter-bank deposits, decreased to NOK 18bn (27) at the end of 2012.

Credit risk exposure and loans and receivables
(excluding cash and balances at central banks and settlement risk exposure)

NOKm	31 Dec 2012	31 Dec 2011
To credit institutions	17,798	26,943
To the public	455,990	464,403
– of which corporate	235,462	254,283
– of which household	219,884	209,504
– of which public sector	643	616
Total Loans and Receivables	**473,787**	**491,346**
Off-balance credit exposure [1]	102,481	107,592
Counterparty risk exposure [2]	1,727	2,477
Treasury bills and interest-bearing securities [3]	91,243	75,057
Total credit risk exposure	**669,238**	**676,472**

[1] Of which for corporate customers approx. 90%

[2] After closeout netting and collateral agreements, including current market value exposure as well as potential future exposure

[3] Also includes Treasury bills and interest-bearing securities pledged as collateral in repurchase agreements

Loans to corporate customers

Loans to corporate customers at the end of 2012 decreased to NOK 235bn (254). Consumer staples, Retail trade and Transportation were the sectors that increased the most in 2012. While Industrial commercial services, Other finacial institutions and Energy where the sectors that decreased the most in 2012. Real estate remains the largest sector in NBN's lending portfolio, at NOK 78bn (77). The commercial real estate portfolio comprises both relatively large and financially strong companies as well as many small and medium sized companies.

Loans to Shipping and Offshore remained unchanged at NOK 41bn. The shipping portfolio is well diversified by type of vessel, has a focus on large and financially robust industrial players and exhibits strong credit quality, with an average rating of 4. Nordea is a leading bank to the global Shipping and Offshore sector with strong brand recognition and a world leading loan syndication franchise. Reflecting Nordea's global customer strategy, there is an even distribution between Nordic and non-Nordic customers.

The distribution of loans to corporates by size of loans shows a high degree of diversification where approx. 66% (63) of the corporate volume is for loans up to NOK 450m per customer.

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. In corporate exposures, the main collateral types are real estate mortgages, floating charges and leasing objects. Collateral coverage is higher for exposures to financially weaker customers than for those who are financially strong.

Regarding large exposures syndication of loans is the primary tool for managing concentration risk while credit risk mitigation by the use of credit default swaps has been applied to a limited extent.

Covenants in credit agreements do not substitute collaterals, but are an important complement to both secured and unsecured exposures. Most exposures of substantial size and complexity include appropriate covenants. Financial covenants are designed to react to early warning signs and are carefully monitored.

Loans to household customers

In 2012 loans to household customers increased by 5% to 220bn (210). The increase is mainly attributable to a 5% increase in mortgage loans to NOK 211bn (201).

Consumer loans have increased to NOK 8.8bn (8.1). The proportion of mortgage loans of total household loans was 96% (96).

Geographical distribution

Lending to the public distributed by borrower domicile shows that the Nordic market increased at 94% (93). Other EU countries represent the main part of the lending outside the Nordic countries.

Loans to the public by industry

NOKm	31 Dec 2012
Energy (oil, gas etc.)	7,514
Metals and mining materials	1,566
Paper and forest materials	660
Other materials (building materials, etc.)	3,725
Industrial capital goods	1,571
Industrial commercial services, etc.	25,038
Construction and engineering	12,491
Shipping and offshore	41,326
Transportation	6,879
Consumer durables (cars, appliances, etc.)	7,045
Media and leisure	4,900
Retail trade	11,101
Consumer staples (food, agriculture, etc.)	16,703
Health care and pharmaceuticals	1,620
Financial institutions	5,140
Real estate	77,665
IT software, hardware and services	1,653
Telecommunication equipment	4
Telecommunication operators	892
Utilities (distribution and productions)	7,155
Other, public and organisations	814
Corporate	**235,462**
Household mortgages	211,096
Household consumer	8,789
Public sector	643
Total	**455,990**

Rating and scoring distribution

One way of assessing credit quality is through analysis of the distribution across rating grades, for rated corporate customers and institutions, as well as risk grades for scored household and small business customers, ie retail exposures.

About 73% (76) of the corporate exposure is rated 4– or higher and the portion of institutional exposure rated 5- or higher is 99% (97). About 89% (83) of the retail exposures are scored C- or higher.

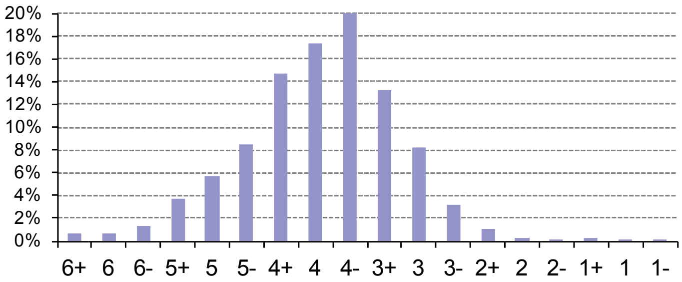
Impaired loans

Impaired loans gross in NBN increased during the year to NOK 4,772m from NOK 4,028m, corresponding to 101 basis points of total loans (82). 28% (36) of impaired loans gross are performing loans and 72% (64) are non-performing loans. Impaired loans net, after allowances for individually assessed impaired loans amounted to NOK 3,078m (2,306), corresponding to 63 basis points of total loans (47). Allowances for individually assessed loans decreased to NOK 1,677m from NOK 1,709m.

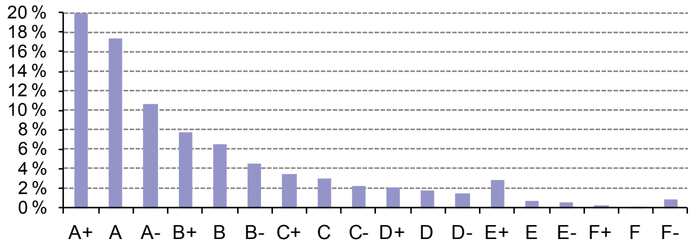
Allowances for collectively assessed loans increased to NOK 405m from NOK 290m. The provisioning ratio was 44% (50). The sectors showing the largest increase in impaired loans were Other materials, Metals and mining materials and Telecommunication operators.

Past due loans to corporate customers 6 days or more that are not considered impaired increased to NOK 1,933m (1,457). The volume of past due loans to household customers increased to NOK 5,780m (4,391) in 2012.

Rating distribution IRB corporate



Scoring distribution IRB Retail



Net loan losses

Loan losses decreased to NOK 958m in 2012 (1,432). This corresponds to a loan loss ratio of 19 basis points (32). NOK 979m relates to corporate customers (1,302) and NOK -21m (131) relates to household customers. The main losses were in the corporate sectors Shipping and offshore, Metals and mining materials as well as Real estate.

Impaired loans gross, including off-balance sheet items, and allowances by industry

NOKm	Impaired Loans, gross (individual)	Allowances (individual +collective)	Provisioning ratio (allowances/impaired loans)
Energy (oil, gas etc.)	0	5	
Metals and mining materials	411	101	25%
Paper and forest materials	15	10	67%
Other materials (building materials, etc.)	553	272	49%
Industrial capital goods	2	5	240%
Industrial commercial services, etc.	146	124	85%
Construction and engineering	190	123	65%
Shipping and offshore	1,432	466	33%
Transportation	22	21	92%
Consumer durables (cars, appliances, etc.)	10	12	122%
Media and leisure	35	25	71%
Retail trade	88	65	74%
Consumer staples (food, agriculture, etc.)	48	41	85%
Health care and pharmaceuticals	15	6	41%
Financial institutions	8	10	126%
Real estate	837	393	47%
IT software, hardware and services	27	2	9%
Telecommunication equipment	0	0	0%
Telecommunication operators	296	88	30%
Utilities (distribution and productions)	39	18	46%
Other, public and organisations	0	1	0%
Corporate	**4,177**	**1,790**	**43%**
Household mortgages	299	104	35%
Household consumer	296	205	69%
Public sector	0	0	0%
Total impaired loans	**4,772**		
Allowances		**2,099**	
Provisioning ratio			**44%**

Counterparty risk

Counterparty credit risk is the risk that Nordea's counterpart in a FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. The pre-settlement risk ("worst-case-scenario") at the end of 2012 was NOK 1,727m (2,477), of which the current exposure net (after close-out and collateral reduction) represents NOK 649m. 100% of the pre-settlement risk and 100% of the current exposure net was towards financial institutions.

Market risk

Market risk is defined as the risk of loss in Nordea'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, FX rates, equity prices, commodity prices and option volatilities. Nordea Markets and Group Treasury are the key contributors to market risk in the Nordea Group. Nordea Markets is responsible for the customer-driven trading activities, whereas Group Treasury is responsible for funding activities, asset and liability management, liquidity portfolios, pledge/collateral portfolios and investments for Nordea's own account. For all other banking activities, the basic principle is that market risks are transferred to Group Treasury where the risks are managed.

Measurement of market risk

Nordea calculates Value at Risk (VaR) using historical simulation. This means that the current portfolio is revaluated using the daily changes in market prices and parameters observed during the last 500 trading days, thus generating a distribution of 499 returns based on empirical data. From this distribution, the expected shortfall method is used to calculate a VaR figure, meaning that the VaR figure is based on the average of the worst outcomes from the distribution. The 1-day VaR figure is subsequently scaled to a 10-day figure using the "square-root of time" assumption. The 10-day VaR figure is used to limit and measure market risk at all levels both in the trading book and in the banking book.

Separate VaR figures are calculated for interest rate, credit spread, foreign exchange rate and equity risks. The total VaR includes all these risk categories and allows for diversification among them. The VaR figures include both linear positions and options. The model has been calibrated to generate a 99% VaR figure. This means that the 10-day VaR figure can be interpreted as the loss that will statistically be exceeded in one of hundred 10-day trading periods.

It is important to note that while every effort is made to make the VaR model as realistic as possible, all VaR models are based on assumptions and approximations that have significant effect on the risk figures produced. While historical simulation has the advantage of not being dependent on a specific assumption regarding the distribution of returns, it should be noted that the historical observations of the market variables that are used as input, may not give an adequate description of the behaviour of these variables in the future. The choice of the time period used is also important. While using a longer time period may enhance the model's predictive properties and lead to reduced cyclicality, using a shorter time period increases the model's responsiveness to sudden changes in the volatility of financial markets. The choice of using the last 500 days of historical data has thus been made with the aim to strike a balance between the pros and cons from using longer or shorter time series in the calculation of VaR.

Market risk analysis

The consolidated market risk for Nordea Bank Norge presented in the next table includes both the trading book and the banking book. The total VaR was NOK 123m at the end of 2012 (71m). The total risk is primarily driven by interest rate risk.

Consolidated market risk in Nordea Bank Norge group, 31 December 2012

NOKm	Measure	31 Dec 2012	2012 high	2012 low	2012 avg	31 Dec 2011
Total Risk	VaR	122.7	158.0	46.3	108.0	70.7
– Interest Rate Risk	VaR	123.5	160.9	57.3	113.2	81.4
– Equity Risk	VaR	0.7	6.6	0.2	1.5	2.7
– Credit Spread Risk	VaR	3.7	30.9	3.7	12.5	29.0
– Foreign ExchangeRisk	VaR	7.3	11.8	0.0	7.3	12.5
Diversification effect		9%	47%	9%	21%	44%

Structural Interest Income Risk (SIIR)

SIIR is the amount Nordea's accumulated net interest income would change during the next 12 months if all interest rates change by one percentage point. SIIR reflects the mismatch in the balance sheet items and the off-balance sheet items when the interest rate repricing periods, volumes or reference rates of assets, liabilities and derivatives do not correspond exactly. Nordea Group's SIIR management is based on policy statements resulting in different SIIR measures and organisational procedures. Policy statements focus on optimising financial structure, balanced risk taking and reliable earnings growth, identification of all significant sources of SIIR, measurement under stressful market conditions and adequate public information. Group Treasury has the responsibility for the operational management of SIIR.

SIIR measurement methods

Nordea's SIIR is measured through dynamic simulations by calculating several net interest income scenarios and comparing the difference between these scenarios. Several interest rate scenarios are applied, but the basic measures for SIIR are the two scenarios (increasing rates and decreasing rates) measuring the effect on Nordea's net interest income for a 12 months period of a one percentage point increase, respectively decrease, in all interest rates. The balance sheet is assumed to be constant over time. Main elements of the customer behaviour and Nordea's decision-making process concerning Nordea's own rates are, however, taken into account.

SIIR analysis

At the end of the year, the SIIR for increasing market rates in Nordea Bank Norge was NOK 228m (252) and the SIIR for decreasing market rates was NOK -1,014m (-252) . These figures imply that net interest income would increase if interest rates rise and decrease if interest rates fall. The methodology was changed during 2012 and 2011 risk numbers are calculated with previous methodology.

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 compliance risk, which is the risk of business not being conducted according to legal and regulatory requirements, market standards and business ethics. Managing operational risk is part of the management's responsibilities. In order to manage these risks, a common set of standards and a sound risk management culture is aimed for with the objective to follow best practice regarding market conduct and ethical standards in all business activities. The key principle of Operational risk in Nordea is the three lines of defence.

The first line of defence is represented by the business organisation which includes the risk and compliance officer network. The risk and compliance officers ensure that operational and compliance risk is managed effectively within the business organisation and consequently they are located in the first line of defence but performing second line of defence tasks. Group Operational Risk and Compliance, representing the second line of defence, has defined a common set of standards (Group Directives, processes and reporting) in order to manage these risks.

The key process for active risk management is the annual risk and control self-assessment process which puts focus on identifying key risks as well as ensuring fulfilment of requirements specified in the group directives. Key risks are identified both through top-down Division management involvement and through bottom-up analysis of result from control questions as well as existing information from processes such as incident reporting, quality and risk analyses, and product approvals. The timing of this process is synchronised with the annual planning process to be able to ensure adequate input to the Group's overall prioritisations. In addition to the risk and control self-assessment process, Nordea has, in 2012, introduced a group-wide scenario analysis process focusing on extreme operational risks.

Group Internal Audit, representing the third line of defence, provides assurance to the Board of Directors on the risk management, control and governance processes.

Liquidity risk

Management principles and control

Group Treasury is responsible for pursuing the Nordea's liquidity strategy, managing the liquidity in Nordea and for compliance with the group-wide limits set by the Board of Directors and the Risk Committee. Furthermore, Group Treasury develops the liquidity risk management frameworks, which consist of policies, instructions and guidelines for Nordea as well as the principles for pricing liquidity risk.

The Board of Directors defines the liquidity risk appetite by setting limits for applied liquidity risk measures. The most central measure is survival horizon, which defines the risk appetite by setting the minimum survival of one month under institution-specific and market-wide stress scenarios with limited mitigation actions

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's liquidity management and strategy is based on policy statements resulting in various liquidity risk measures, limits and organisational procedures.

Policy statements stipulate that Nordea's liquidity management reflects a conservative attitude towards liquidity risk. Nordea strives to diversify its sources of funding and seeks to establish and maintain relationships with investors in order to ensure market access. A broad and diversified funding structure is reflected by the strong presence in Nordea's four domestic markets in the form of a strong and stable retail customer base and the variety of funding programmes. Funding programmes are both short-term (US commercial paper, European commercial paper, commercial paper, Certificates of Deposits) and long-term (covered bonds, European medium-term notes, medium term notes) and cover a range of currencies.

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. Stress testing framework includes also survival horizon metrics (see below), which represents a combined liquidity risk scenario (idiosyncratic and market-wide stress).

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. Cash flows from both on-balance sheet and off-balance sheet items are included. Funding gap risk is measured and limited for each currency and as a total figure for all currencies combined. The total figure for all currencies combined is limited by the Board of Directors.

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. The buffer minimum level is set by the Board of Directors. The liquidity buffer consists of central bank eligible high-grade liquid securities held by Group Treasury that can be readily sold or used as collateral in funding operations.

During 2011, the Survival horizon metric was introduced. It is conceptually similar to Basel Liquidity Coverage Ratio. The metric is composed of a liquidity buffer and funding gap risk cash flows, and includes expected behavioural cash flows from contingent liquidity drivers. Survival horizon defines the short-term liquidity risk appetite of the Group and expresses the excess liquidity after a 30-day period without access to market funding. The Board of Directors has set a limit for minimum survival without access to market funding for a 30 day period.

The structural liquidity risk of Nordea is measured and limited by the Board of Directors through the Net Balance of Stable Funds (NBSF), which is defined as the difference between stable liabilities and stable assets. These liabilities primarily comprise retail deposits, bank deposits and bonds with a remaining term to maturity of more than 12 months, as well as shareholders' equity, while stable assets primarily comprise retail loans, other loans with a remaining term to maturity longer than 12 months and committed facilities. The CEO in GEM has set as a target that the NBSF should be positive, which means that stable assets must be funded by stable liabilities.

Liquidity risk analysis

The short-term liquidity risk remained at moderate levels throughout 2012. The average funding gap risk, i.e. the average expected need for raising liquidity in the course of the next 30 days, was NOK -4.4bn (−7.8). Nordea Bank Norway's liquidity buffer range was NOK 52.9 – 87.4bn (44.5 – 63.0) throughout 2012 with an average buffer size of NOK 73.5bn (53.4). Nordea Bank Norway's liquidity buffer is highly liquid, consisting of only central bank eligible securities held by Group Treasury. Survival horizon was in the range of NOK 53.6 – 109.5bn (43.6 – 86.3) throughout 2012 with an average of NOK 77.2bn. The aim of always maintaining a positive net balance of stable funding has been comfortably achieved throughout 2012. The yearly average for the net balance of stable funding was NOK 25.7bn (79.9).

For additional information on contractual cashflows, see Note 42 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.

Capital governance

The Board of Directors decides ultimately on the targets for capital ratios and the capital policy in Nordea, while the CEO in GEM decides on the overall framework of capital management. The ability to meet targets and to maintain minimum capital requirements is reviewed regularly within the Asset and Liability Committee (ALCO) and the Risk Committee.

The capital requirement and the capital base described in this section follow the rules in the Capital Requirements

Directive (CRD) and not accounting standards, see Note 44 Credit risk disclosures for details.

Minimum capital requirements

Risk-weighted assets (RWA) are calculated in accordance with requirements in the CRD. Nordea Bank Norge had 85% of the exposure covered by internal rating based (IRB) approaches by the end of 2012.

Nordea Bank Norge is approved to use its own internal Value-at-Risk (VaR) models to calculate capital requirements for a significant part of the market risk in the trading book. For operational risk the standardised approach is applied.

Capital requirements in Nordea Bank Norge group

NOKm	2012 Capital require-ment	2012 RWA	2011 Capital require-ment	2011 RWA
Credit risk	**16,664**	**208,297**	**18,815**	**235,180**
IRB	15,177	189,716	16,932	211,636
- of which corporate	12,413	155,166	12,886	161,077
- of which institution	442	5,523	512	6,394
- of which retail	2,201	27,520	3,435	42,934
- of which retail SME	127	1,589	122	1,521
- of which retail real estate	1,473	18,417	2,481	31,015
- of which retail other	601	7,514	832	10,398
- of which other	121	1,507	99	1,231
Standardised	1,487	18,581	1,883	23,544
- of which sovereign	30	372	31	382
- of which retail	498	6,226	446	5,579
- of which other	959	11,983	1,406	17,583
Market risk	**172**	**2,153**	**418**	**5,227**
- of which trading book, Internal Approach	59	735	155	1,934
- of which trading book, Standardised Approach	113	1,418	263	3,293
Operational risk	**1,690**	**21,125**	**1,615**	**20,193**
Standardised	1,690	21,125	1,615	20,193
Sub total	**18,526**	**231,575**	**20,848**	**260,600**
Adjustment for transition rules				
Additional capital requirement according to transition rules	6,625	82,815	5,485	68,563
Total	**25,151**	**314,390**	**26,333**	**329,163**

Internal capital assessment

Nordea bases its internal capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) on the minimum capital requirements and on internally identified risks. In effect, the internal capital requirement is a combination of risks defined by CRD and identified risks which are incremental to those defined by the CRD. The following major risk types are included: credit risk, market risk, operational risk and business risk. Additionally, the EC model explicitly accounts for interest rate risk in the banking book, risk in Nordea's sponsored defined benefit pension plans, real estate risk and concentration risk.

In addition to calculating risk capital for its various risk types, Nordea conducts a comprehensive capital adequacy stress test to analyse the effects of a series of global and local shock scenarios. The results of the stress tests are considered, along with potential management interventions, in Nordea's internal capital requirements as buffers for economic stress. The internal capital requirement is a key component of Nordea's capital ratio target setting.
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 are introduced with the implementation of CRD IV. This might lead to higher capitalisation requirements than what is determined in the internal capital requirement. Should the regulatory capital requirement exceed the internal capital requirement, additional capital will be held to meet those regulatory requirements with a margin.

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. 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.

Capital base

Capital base (referred to as own funds in the CRD) is the sum of tier 1 capital and tier 2 capital after deductions.

Tier 1 capital is defined as capital of the same or close to the character of paid-up, capital-eligible reserves and a limited portion of hybrid capital loan (perpetual loan) instruments (maximum up to 50% of tier 1, if some specific criteria are fulfilled). Profit may only be included after deducting the proposed dividend. Goodwill and deferred tax assets are deducted from tier 1.

Tier 2 comprises perpetual loans and dated loans. The total tier 2 amount may not exceed tier 1. Dated tier 2 loans may not exceed half the amount of tier 1. The limits are set after deductions, i.e. investment in insurance and other financial companies.

Summary of items included in capital base in Nordea Bank Norge group[1]

NOKm	31 Dec 2012	31 Dec 2011
Calculation of total capital base		
Equity	36,172	30,412
Proposed/actual dividend	–	–1,600
Hybrid capital loans	4,815	4,937
Deferred tax assets	–206	–269
Intangible assets	–1,143	–1,285
IRB provisions excess (+)/shortfall (–)	–1,048	–954
Deduction for investments in credit institutions (50%)	–1	–1
Other items, net	0	–1
Tier 1 capital (net after deduction)	**38,589**	**31,239**
Tier 2 capital	**3,230**	**4,732**
– of which perpetual subordinated loans	1,114	1,306
IRB provisions excess (+)/shortfall (–)	–1,048	–954
Deduction for investments in credit institutions (50%)	–1	–1
Total capital base	**40,771**	**35,016**

Key capital adequacy ratios in Nordea Bank Norge group[1]

NOKm	31 Dec 2012	31 Dec 2011
RWA including transition rules	314,390	329,163
RWA excluding transition rules	231,575	260,600
Capital requirement including transition rules	25,151	26,333
Core tier 1 capital	33,774	26,302
Tier 1 capital	38,589	31,239
Capital base	40,771	35,016
Capital ratios excl. transition rules		
Core tier 1 capital ratio (%)	14.6%	10.1%
Tier 1 capital ratio (%)	16.7%	12.0%
Capital base ratio (%)	17.6%	13.4%
Capital adequacy quotient (Capital base/Capital requirement)	2.20	1.68
Capital ratios incl. transition rules		
Core tier 1 capital ratio (%)	10.7%	8.0%
Tier 1 capital ratio (%)	12.3%	9.5%
Capital base ratio (%)	13.0%	10.6%
Capital adequacy quotient (Capital base/Capital requirement)	1.62	1.33

[1]Further information on capital management and capital adequacy is presented in Note 38 Capital adequacy and in the Capital and Risk Management report at www.nordea.com.

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 are included in Nordea's planning and resource allocation processes. Internal control and risk management over financial reporting in Nordea can be described in accordance with the COSO framework (Internal Control – Integrated framework, by the Committee of Sponsoring Organizations of the Treadway commission) as follows.

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 as well as the organization is under continuous development. The key principle of risk management in Nordea is the three lines of defence, with the first line of defence being the business organisation, the second line of defence the centralised risk group functions which defines a common set of standards and the third line of defence being the internal audit function. The second line of defence function, Accounting Key Controls (AKC), is established and the initiative aims at implementing a Nordea Group-wide system of accounting key controls to ensure that controls essential for the financial reporting are continuously identified, monitored and assessed.

Risk Assessment

The Board of Directors has the ultimate responsibility for limiting and monitoring the Nordea Group'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 risks lies with the business organisation. To have the Risk Assessments performed close to the business, increases the chance of identifying the most relevant risks. In order to govern the quality, central functions stipulate in governing documents 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 Self Risk 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 primarily supported by the Group Accounting Manual (GAM), the Financial Control Principles and various governing bodies, as for example 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 are 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 detailed analysis of the financial outcome is performed, constitutes one of the most important control mechanisms associated with the reporting process. The reconciliations constitute another set of important controls where Nordea works continuously to further strengthen the quality.

Information & Communication

Group Functions 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. On an annual basis accounting specialists within Group Finance provide sessions for accountants and controllers in order to inform about existing and updated rules and regulations with an impact on Nordea. Matters affecting the achievement of financial reporting objectives are communicated with outside parties, where Nordea actively participates in relevant national forums, for example 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. The CEO annually issues a report to the Board of Directors on the quality of internal control in Nordea. This report is based on an internal controlprocess checklist and a hierarchical reporting covering the whole organisation. Internal control and risk assessment regarding financial reporting is included as one of several focus categories in this process. The Board of Directors, the Board Audit Committee, the Board Risk Committee and Group Internal Audit have an important role with regards to monitoring the internal control over financial reporting in Nordea Group. According to Norwegian law Nordea is required to have an external auditor. At the Annual General Meeting 2012 KPMG was reelected as auditor for the time period up to end of the Annual General Meeting 2013. State Authorised Public Accountant Arne Frogner is the auditor-in-charge for Nordea Bank Norge ASA.

Articles of association regulating the Board of Directors

The requirements in the Norwegian Accounting Act §3.3b requires the statutes regulating the composition and nomination of the Board of Directors to be disclosed.

According to the statutes of Nordea Bank Norge ASA's the Board of Directors comprises 5-8 directors who are elected by the Supervisory Board. At least one fourth of the Board's directors shall be external, not employed or holding any honorary functions in the Bank. One of the elected directors shall be an employee of the Bank. For this director, 2 personal deputies shall be elected with the right to attend and speak at Board meetings, provided the second deputy only attends when the director or the first deputy is absent.

The chairman and deputy chairman of the Board shall be elected by separate ballot. The elected directors serve for terms of 2 years. Each year the elected directors with the longest term of service shall retire. The first time approximately half of the directors shall retire according to lots drawn by the Election Committee. Deputy directors are elected for terms of 2 years. If an elected director retires before the expiry of the election period and the number of elected directors thereby becomes less than 5, a new director shall be elected for the remaining period at the earliest opportunity.

The election of directors shall be prepared by an Election Committee comprising the chairman of the Supervisory Board and 2 members elected by the Supervisory Board for a period of 2 years. The Committee shall have members from both groups of the Supervisory Board, c.f. § 11 (3-4) of the Commercial Banks Act. The chairman of the Supervisory Board is the chairman of the committee. For the director who is elected from among the employees of the Bank and for the personal deputies for this director, only the employee representative on the Election Committee shall submit a recommendation.

The Supervisory Board is composed of 15 members, elected by the General Meeting. The Supervisory Board should be broadly based and include members from the various regions and industries that are affected by the Bank's activities.

As part of a reorganisation decision, Torsten Hagen Jørgensen, new Group CFO, is chosen as Board member and deputy chairman for NBN by the Board of Representatives 28 January 2013.

Further information

Further information on corporate governance and internal control and risk management regarding financial reporting is presented in the Nordea Bank AB (publ) Annual Report 2012.

Human Resources

Our people are making Nordea Great

As a relationship bank, Nordea is committed to people – customers as well as employees. It is our skilled and dedicated employees and their ability to deliver great customer experiences that distinguish us from our competitors and make Nordea great.

Nordea's Human Resources (HR) strategy – the People Strategy – emphasises that for Nordea to reach its goals our employees need to reach theirs. This means that Nordea has to provide opportunities for our people to grow and live well-balanced lives.

Nordea recognises that sound business and a value-driven working environment creates great results. Our focus on health aims at identifying and strengthening the factors that enhance a healthy working environment for our employees. At Nordea, we recognise that people have different needs in different stages of their lives, and it is important to strike a balance between work and leisure.

We ensure this in different ways, taking into account local conditions, rules and regulations. We strive to create flexible working conditions on a day-to-day basis. We offer our employees access to health services, with thorough health checkups as well as favourable terms for leave of absence.

The Nordea ESI is built on the international 'European Employee Index' and has the purpose of measuring employee satisfaction. It is based on a model for assessing employee satisfaction, motivation and loyalty. NBN scored 71 on Satisfaction and Motivation for 2012, which is up from 69 in 2011.

New Normal

In 2011 Nordea acted one of the most ambitious New Normal plans for any bank in the world, to ensure that Nordea could maintain its strong market position also under the new regulatory requirements. It is with humbleness we can say that through 2012 we completed most of the ambitious plan to reduce the number of employees by a total of 2,000 on Nordea level. For NBN this was 200 FTEs, and this has been done in close cooperation with the people involved and in most cases as a voluntary solution.

Focus on leadership

In Nordea leadership is recognized as the most important driver for culture, performance, motivation and job satisfaction. Several internal surveys demonstrate a clear correlation between ESI and business performance. In other words, prioritising leadership as a manager pays off. To enable Nordea's strategy and support our managers in their daily efforts we have an ambition of taking leadership to the next level in the years to come. For this purpose Group Executive Management has defined Great Leadership and the leadership competencies and programmes have been revised.

The leadership statement and leadership competencies clarify what we mean by great leadership and expect from our managers. To support their development and performance as managers we offer the

- Leadership Pipeline and the
- Leadership Competence Programmes

The Leadership Pipeline Programmes support them to succeed when stepping into a new management role. The Leadership Competence Programmes support them in developing specific competencies in their current role.

"Great leadership at Nordea is the ability to engage and motivate people to reach out for our vision and the ability to create the right team to make it happen".

Providing opportunities for our people to develop and grow

Nordea provides many opportunities to develop between different business areas and within the Group. One Nordea Team is one of our basic values and the coaching culture plays a key role in identifying and unlocking the potential of all employees, as well as discovering the stars and future leaders. Talent Management at Nordea makes sure we have strong leaders in all key leadership positions, and a continuous flow of talents and high-quality succession and development plans always giving us the option to hire from within. Nordea's Young Significant Talent process aims to identify and develop young significant talents for management positions on Nordea level. Our Annual People Review process (APR) seeks to focus on people management in a structured way on all business levels. Development is a joint responsibility of the manager and the employee. Employee motivation, commitment to company goals and targets is addressed through yearly personal development dialogues. These dialogues also form the basis for personal development plans as well as short- and long-term career plans.

Attracting young talents through the Nordea Graduate Programme

We seek highly talented young people to participate in our graduate programmes. The programmes entail a combination of the best available on-the-job opportunities: a solid introduction to our business, specialised training, seminars promoting professional and personal development, a sparring partner (mentor) and possibilities for building an interesting and challenging career. The current graduate programme has been running for 12 years with more than 700 participants in Nordea. 7 graduates started in NBN during 2012.

Building solid advisory competence through the national authorisation

From the introduction of the national authorisation system for financial advisors in January 2009 Nordea has focused strongly on competence development and practical training. By the end of 2012, 634 employees in NBN were authorised according to the national authorisation standard (AFR).

During autumn 2012 all authorized financial advisors went through the yearly, mandatory knowledge update defined by AFR. This was conducted by an e-learning tool. We had a participation of 92 % and a very good score in a subsequent survey regarding the Nordea process, the academic content, the tool and the participants' own benefit/learning.

A company with many possibilities

Nordea facilitates internal mobility. It is a strategic choice and one we deem necessary. We need flexibility to find the right person, for the right place at the right time. In order to support the internal mobility most open positions are published internally before external candidates are invited to apply. As an international company Nordea offers job opportunities in all the locations where we operate. Cross border mobility and international assignments are used in Nordea to enhance business opportunities and to develop and establish operations.

Equal opportunities

46.6% of the full-time employees of NBN are women. The share of females with personnel responsibility is 37.7% which is an increase from 2011 where the share was 36.5%. To increase the number of females in managerial and especially executive positions is a priority throughout Nordea.

In terms of full time salary, average salary for women and men was approximately NOK 520,000 and NOK 639,000, respectively, and reflects a higher number of men in leading and key positions in NBN.

Equal opportunities issues are an integrated part of the development of the organisation and employees. Nordea's Corporate Citizenship Principles includes the following overall provision: "We do not discriminate based on gender, ethnic background, religion or any other ground." The equal opportunities issues are included in the various personnel policies, for example career planning and appointments to higher management positions.

Nordea values its employees independent of gender, age, disability or cultural background. An important goal for a company as large as Nordea is to reflect the diversity in society. The individual qualifications should be the the right foundation for external recruitment and internal hires. We acknowledge that our employees have different motivation and ambition factors. The right person at the right place is the foundation to create great customer experience in the entire value chain. An active relation to diversity supports Nordea's value One Nordea Team.

Number of employees

The number of employees in NBN was 3,176 at the end of 2012. This represents 2,889 FTEs.

NBN recruited in total 115 persons in 2012, 37 of these were female and 78 were male. The average age of the recruited persons was 32 in 2012.

Sick leave

Sick leave amounted to 30,407 days in 2012 equivalent to 4.33% (4.40%) , adjusted for holidays and leave of absence. The relatively low sick leave percentage must be seen in connection with the systematical reviews of the physical and psychosocial working environment performed by HR Health & Work Environment, particularly in those areas where sick leave is most frequent. Further, the employees on sick leave are followed-up more closely in accordance with the agreement on Including Work Life (IA).

Four injuries to human beings have been reported due to accidents or other incidents in NBN in 2012.

The working environment is considered to be good in NBN. It has not been necessary to carry out any specific measures.

Compensation and profit sharing

Nordea has a total remuneration approach to compensation acknowledging the importance of well-balanced but differentiated remuneration packages, based on business and local market needs, as well as the importance of remuneration being consistent with and promoting sound and effective risk management not encouraging excessive risk-taking or counteracting Nordea's long term interests.

All employees participate in a unified profit sharing programme. Performance criteria for allocation are determined by the Board of Directors of Nordea Bank AB (publ) early each year and reflect internal goals as well as benchmarking with competitors. Profit Sharing is aiming at stimulating value creation for the customers and shareholders and is offered to all employees.

Long-Term Incentive Programme (LTIP) is aiming at improving the long term shareholder value and to strengthen Nordea's capability to retain and recruit the best talents. The programme targets managers and key employees identified as essential to the future development of the Nordea Group. Nordea's first LTIP was introduced in May 2007, targeting up to 400 managers and key employees identified as essential to the future development of the Group. LTIP 2007 has been followed by LTIP 2008, LTIP 2009, LTIP 2010, LTIP 2011 and LTIP 2012. On a yearly basis the Board of Directors evaluate whether a similar incentive programme should be proposed to the AGM. For further information see Note 8 Staff costs.

Environmental concerns

Nordea is committed to sustainable development by combining financial performance with environmental and corporate social responsibility. Nordea has adopted an environmental policy that provides guidance on how the group entities manage and control environmental issues in their own operations. The ten principles in the UN Global Compact constitute the basis of Nordea's Code of Conduct and together with the UN Declaration of Human Rights, it forms the basis for Nordea's Corporate Citizenship Principles, which spell out the Group's values and commitments to ethical business.

The Code of Conduct and Citizenship principles both apply to all personnel and everyone working on behalf of or representing Nordea. The main policies are supported by a number of specific and concrete policies to ensure compliance with the principles in everyday business. Examples are the environmental policy, the human resources policies, the anti-corruption policies and investment and credit policies. The Code of Conduct and the Corporate Citizenship Principles with relevant policies are available in some parts on the web pages. Further information is presented under Corporate Social Responsibility in the annual report of Nordea Bank AB (publ) and in Nordea´s CSR Report available on www.nordea.com/csr.

NBN's direct impact on the external environment is limited to the use of material and energy as well as the production of services necessary for the Group's business. NBN's strong focus on general reduction of costs supports a reduced use of resources and energy. Indirect influence on the environment takes place via business activities such as the granting of credits and asset management. Environmental consideration is included in the credit policy and environmental issues thus form a part of the risk analysis.

Legal proceedings

Within the framework of the normal business operations, NBN faces claims in civil lawsuits and disputes, most of which involve relatively limited amounts. None of these disputes is considered likely to have any significant adverse effect on the NBN or its financial position.

Subsequent events

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

Corporate Social Responsibility

At Nordea we believe that responsible business leads to sustainable results. Therefore our long term strategic CSR goal is to integrate CSR with business, to embed CSR in core strategies, policies and procedures, products and services. In 2012, we focused on strengthening compliance, further developing our lending practices, expanding our investment products with positive screening, introducing a new Sustainability Policy and a whistle blowing system, and continuing to reduce our ecological footprint. During 2012, Nordea set up dedicated Anti-Money Laundering teams in all the markets where we operate. Each team has an Executive Manager with overall responsibility for country-based risks associated with money laundering and terrorist financing. Nordea's Group Compliance function coordinates and monitors the work of these country-based teams. Further, the formal whistle blowing system reflects Nordea's status as a Global Systemically Important Bank and ensures our compliance with the standards set out in the UK Bribery Act and European Banking Authority Guidelines.

Nordea continued to renew the environmental, social, political and governance (ESG) analyses in the credit process during 2012. Going forward we will focus our ESG analyses on credits with higher probability of ESG risks. We will also integrate ESG aspects with the know-your-customer process. Nordea's Responsible Investment Team continued its active approach holding dialogues with companies invested in and participating in Annual General Meetings, and the Responsible Investment fund, Emerging Stars, grew in popularity in 2012.

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

Outlook

Despite macroeconomic challenges, Nordea achieved stronger capital ratio, increased income, flat costs and improved operating profit in 2012. Nordea has thus laid the foundation for shaping the future bank relationship model based on long-term customer satisfaction, sound profitability and solid capital buffers.

Nordea Bank Norge ASA
Oslo, 6 February 2013

Ari Kaperi
Chairman

Torsten Hagen Jørgensen
Deputy chairman

Mary H. Moe

Karin S. Thorburn

Steinar Nickelsen
Employee representative

Gunn Wærsted
Chief Executive Officer

Financial statements - contents

Nordea Bank Norge

Income statements

NOKm	Note	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Operating income					
Interest income		20,072	18,689	16,573	16,466
Interest expense		-11,176	-10,340	-9,439	-9,211
Net interest income	1,3	**8,896**	**8,349**	**7,134**	**7,255**
Fee and commission income		3,176	3,124	3,003	3,012
Fee and commission expense		-764	-859	-756	-805
Net fee and commission income	1,4	**2,412**	**2,265**	**2,247**	**2,207**
Net result from items at fair value	5, 24	456	343	460	148
Profit/-loss from associated undertakings accounted for under the equity method	20	136	194	0	0
Dividends and group contribution	6	0	0	312	116
Other operating income	7	183	185	256	228
Total operating income		**12,083**	**11,336**	**10,409**	**9,954**
Operating expenses					
General administrative expenses:					
Staff costs	8	-2,982	-3,209	-2,837	-3,068
Other expenses	9	-1,856	-1,954	-1,779	-1,883
Depreciation, amortisation and impairment charges of tangible and intangible assets	10,21,22	-203	-160	-197	-155
Total operating expenses		**-5,041**	**-5,323**	**-4,813**	**-5,106**
Profit before loan losses		**7,042**	**6,013**	**5,596**	**4,848**
Net loan losses	11	-958	-1,432	-833	-1,356
Operating profit		**6,084**	**4,581**	**4,763**	**3,492**
Income tax expense	12	-1,681	-1,234	-1,342	-940
Net profit for the year		**4,403**	**3,347**	**3,421**	**2,552**
Attributable to:					
Shareholder of Nordea Bank Norge ASA		4,403	3,341	3,421	2,552
Non-controlling interests		0	6	0	0
Total		**4,403**	**3,347**	**3,421**	**2,552**
Basic/diluted earnings per share, NOK		7.99	6.07	6.21	4.63

Statements of comprehensive income

	Group		Parent Company	
NOKm	2012	2011	2012	2011
Net profit for the year	**4,403**	**3,347**	**3,421**	**2,552**
Currency translation differences during the year	0	1	0	1
Available-for-sale investments:				
Valuation gains/losses during the year	106	0	106	0
Tax on valuation gains/losses during the year	-30	0	-30	0
Other comprehensive income, net of tax	**76**	**1**	**76**	**1**
Total comprehensive income	**4,479**	**3,348**	**3,497**	**2,553**
Attributable to:				
Shareholder of Nordea Bank Norge ASA	4,479	3,342	3,497	2,553
Non-controlling interests	0	6	0	0
Total	**4,479**	**3,348**	**3,497**	**2,553**

Nordea Bank Norge ASA
Oslo, 6 February 2013

Ari Kaperi
Chairman

Torsten Hagen Jørgensen
Deputy chairman

Mary H. Moe

Karin S. Thorburn

Steinar Nickelsen
Employee representative

Gunn Wærsted
Chief Executive Officer

Nordea Bank Norge

Balance sheets

NOKm	Note	Group 31 Dec 2012	Group 31 Dec 2011	Parent company 31 Dec 2012	Parent company 31 Dec 2011
Assets					
Cash and balances with central banks		3,836	5,299	3,836	5,289
Loans to central banks and credit institutions	13	17,798	26,943	55,519	56,552
Loans to the public	13	455,990	464,403	324,054	359,710
Interest-bearing securities	14	89,326	75,057	110,536	95,836
Financial instruments pledged as collateral	15	1,917	534	1,917	534
Shares	16	493	1,645	493	1,645
Derivatives	17	1,466	5,803	1,790	6,044
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	764	658	411	232
Investments in group undertakings	19	0	0	4,646	2,845
Investments in associated undertakings	20	1,413	1,277	417	417
Intangible assets	21	411	461	358	408
Property and equipment	22	298	303	297	301
Investment property	24	132	0	28	0
Deferred tax assets	12	206	269	536	528
Current tax assets	12	43	0	43	23
Other assets	25	4,691	3,888	4,657	3,754
Prepaid expenses and accrued income	26	2,951	2,773	2,143	1,915
Total assets		**581,735**	**589,313**	**511,681**	**536,033**
Liabilities					
Deposits by credit institutions	27	228,997	239,470	229,002	239,494
Deposits and borrowings from the public	28	218,952	223,195	218,972	223,178
Debt securities in issue	29	65,793	51,471	2,000	2,505
Derivatives	17	2,075	2,005	3,029	3,310
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	1,123	618	2	0
Current tax liabilities	12	1,731	198	1,375	0
Other liabilities	30	14,904	28,583	14,960	28,653
Accrued expenses and prepaid income	31	2,512	2,368	1,388	1,259
Provisions	32	317	512	305	499
Retirement benefit obligations	33	1,204	1,087	1,166	1,048
Subordinated liabilities	34	7,879	9,394	7,879	9,394
Total liabilities		**545,487**	**558,901**	**480,078**	**509,340**
Equity					
Non-controlling interests		0	9	0	0
Share capital		4,411	3,860	4,411	3,860
Share premium reserve		3,402	953	3,402	953
Other reserves		76	0	76	0
Retained earnings		28,359	25,590	23,714	21,880
Total equity		**36,248**	**30,412**	**31,603**	**26,693**
Total liabilities and equity		**581,735**	**589,313**	**511,681**	**536,033**
Assets pledged as security for own liabilities	35	151,513	132,931	62,683	68,709
Contingent liabilities	36	1,801	1,703	5,618	5,410
Commitments	37	102,481	107,592	110,824	164,127

Statements of changes in equity

Group

NOKm	Share capital[1]	Share premium reserve	Other reserves	Retained earnings	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 Jan 2012	**3,860**	**953**	**0**	**25,590**	**30,403**	**9**	**30,412**
Net profit for the year				4,403	4,403		4,403
Available-for-sale investments:							
Valuation gains/losses during the year			106		106		106
Tax on valuation gains/losses during the year			-30		-30		-30
Other comprehensive income, net of tax			76		76		76
Total comprehensive income			76	4,403	4,479		4,479
Increase of share capital and premium reserve	551	2,449			3,000		3,000
Share-based payments[2]				13	13		13
Dividend for 2011				-1,600	-1,600	-6	-1,606
Step-up purchase of Privatmegleren AS[3]				-47	-47	-3	-50
Balance at 31 Dec 2012	**4,411**	**3,402**	**76**	**28,359**	**36,248**	**0**	**36,248**

Group

NOKm	Share capital[1]	Share premium reserve	Other reserves	Retained earnings	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 Jan 2011	**3,860**	**953**	**0**	**24,742**	**29,555**	**8**	**29,563**
Net profit for the year				3,341	3,341	6	3,347
Currency translation differences during the year				1	1		1
Other comprehensive income, net of tax				1	1		1
Total comprehensive income				3,342	3,342	6	3,348
Share-based payments[2]				11	11		11
Dividend for 2010				-2,500	-2,500	-5	-2,505
Other changes				-5	-5		-5
Balance at 31 Dec 2011	**3,860**	**953**	**0**	**25,590**	**30,403**	**9**	**30,412**

[1] The share capital is NOK 4,410,868,608 (31 Dec 2011: 3,859,510,032) consisting of 551,358,576 shares at par value of NOK 8.00 (7.00 in 2011)

[2] Refers to the Long Term Incentive Programme (LTIP)

[3] Refers to the increase in investement in Privatmegleren from 67% to 100% ownership.

Statements of changes in equity cont.

Parent company

NOKm	Share capital[1]	Share premium reserve	Other reserves	Retained earnings	**Total**
Balance at 1 Jan 2012	**3,860**	**953**	**0**	**21,880**	**26,693**
Net profit for the year				3,421	3,421
Available-for-sale investments:					
Valuation gains/losses during the year			106		106
Tax on valuation gains/losses during the year			-30		-30
Other comprehensive income, net of tax			76		77
Total comprehensive income			76	3,421	3,497
Increase of share capital and premium reserve	551	2,449			3,000
Share-based payments[2]				13	13
Dividend for 2011				-1,600	-1,600
Balance at 31 Dec 2012	**4,411**	**3,402**	**76**	**23,714**	**31,603**

Parent company

NOKm	Share capital1	Share premium reserve	Other reserves	Retained earnings	**Total**
Balance at 1 Jan 2011	**3,860**	**953**	**0**	**21,816**	**26,629**
Net profit for the year				2,552	2,552
Currency translation differences during the year				1	1
Other comprehensive income, net of tax				1	1
Total comprehensive income				2,553	2,553
Share-based payments[2]				11	11
Dividend for 2010				-2,500	-2,500
Balance at 31 Dec 2011	**3,860**	**953**	**0**	**21,880**	**26,693**

[1] The share capital is NOK 4,410,868,608 (31 Dec 2011: 3,859,510,032) consisting of 551,358,576 shares at par value of NOK 8.00 (7.00 in 2011)

[2] Refers to the Long Term Incentive Programme (LTIP)

Nordea Bank AB (publ), corporate registration no. 516406-0120, owned 100 percent of the shares in Nordea Bank Norge ASA as per 31 December 2012. Nordea Bank AB (publ)'s business adress is Hamngatan 10, SE - 10571 Stockholm, Sweden.

Description of items in the equity is included in Note 1 Accounting policies.

Cash flow statements

NOKm	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Operating activities				
Operating profit	6,084	4,581	4,762	3,492
Adjustments for items not included in cash flow	852	1,730	761	1,545
Income taxes paid	-207	-2,528	-81	-2,218
Cash flow from operating activities before changes in operating assets and liabilities	**6,729**	**3,783**	**5,442**	**2,819**
Changes in operating assets				
Change in loans to central banks and credit institutions	10,462	-13,805	2,795	-29,303
Change in loans to the public	7,405	-26,645	34,778	-16,850
Change in interest-bearing securities	-14,335	-52,701	-14,728	-23,480
Change in financial assets pledged as collateral	-1,383	-289	-1,383	-289
Change in shares	1,118	1,603	1,186	1,603
Change in derivatives, net	4,733	-7,147	3,724	-6,040
Change in investment property	-132	0	-28	0
Change in other assets	-803	673	-903	809
Changes in operating liabilities				
Change in deposits by credit institutions	-10,473	42,600	-10,492	42,589
Change in deposits and borrowings from the public	-4,243	-10,867	-4,206	-10,856
Change in debt securities in issue	14,322	40,104	-505	409
Change in other liabilities	-13,679	22,307	-13,692	22,362
Cash flow from operating activities	**-279**	**-385**	**1,988**	**-16,228**
Investing activities				
Liquidation / investment of group undertakings	0	0	-1,807	-11
Dividend from associated undertakings	0	116	0	0
Acquisition of property and equipment	-79	-98	-79	-97
Sale of property and equipment	76	63	10	11
Acquisition of intangible assets	-71	-113	-66	-104
Sale of intangible assets	-3	-1	-3	-2
Cash flow from investing activities	**-77**	**-33**	**-1,945**	**-203**
Financing activities				
Other changes in equity	-57	6	0	11
Issued subordinated liabilities, net	0	-148	0	-148
Amortised subordinated liabilities	-1,107	0	-1,107	0
Increase in par value and share premium	3,000	0	3,000	0
Dividend paid	-1,600	-2,500	-1,600	-2,500
Cash flow from financing activities	**236**	**-2,641**	**293**	**-2,636**
Cash flow for the year	**-120**	**-3,059**	**336**	**-19,067**
Cash and cash equivalents at the beginning of year	**16,940**	**20,011**	**26,609**	**45,688**
Exchange rate difference	-27	-12	-27	-12
Cash and cash equivalents at the end of year	**16,793**	**16,940**	**26,918**	**26,609**
Change	**-120**	**-3,059**	**336**	**-19,067**

Comments on the cash flow statements

The cash flow statement has been prepared in accordance with IAS 7. The cash flow statement shows inflows and outflows of cash and cash equivalents during the year. Nordea'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 depreciation and loan losses. The cash flows are classified by operating, investing and financing activities.

Cash flow statements cont.

Operating 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. Adjustment for non-cash items includes:

	Group		Parent company	
NOKm	2012	2011	2012	2011
Depreciation	165	158	159	152
Impairments charges	38	2	38	3
Profit/-loss from the companies accounted for under the equity method	-136	-194	0	0
Loan losses	1,008	1,455	878	1,373
Unrealised gains/losses	-302	93	243	526
Capital gains/losses (net)	-72	-59	-6	-7
Change in accruals and provisions	152	270	-550	-512
Other	-1	5	-1	10
Total	**852**	**1,730**	**761**	**1,545**

Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as loans and receivables, deposits and debt securities in issue. Changes in derivatives are reported net.

Cash flow from operating activities includes interest payments received and interest expenses paid with the following amounts:

	Group		Parent company	
NOKm	2012	2011	2012	2011
Interest payments received	19,711	17,793	16,248	15,591
Interest expenses paid	11,085	9,469	9,404	8,609

Financing activities

Financing activities are activities that result in changes in equity and subordinated liabilities, such as new issues of shares, dividends and issued/amortised subordinated liabilities.

Cash and cash equivalents

The following items are included in Cash and cash equivalents:

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Cash and balances with central banks	3,836	5,299	3,836	5,289
Loans to credit institutions, payable on demand	12,957	11,641	23,082	21,320
	16,793	**16,940**	**26,918**	**26,609**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled;

- the central bank or the postal giro system is domiciled in the country where the institution is established
- the balance on the account is readily available any time.

Loans to central banks and credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities.

Quarterly development[1]

NOKm	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	YTD 2012	YTD 2011
Net interest income	2,184	2,141	2,266	2,305	2,207	2,074	1,961	2,107	8,896	8,349
Net fee and commission income	646	596	596	574	540	531	646	548	2,412	2,265
Net result from items at fair value	174	121	74	87	38	155	117	33	456	343
Profit/–loss from the companies accounted for under the equity method	30	– 9	97	18	102	64	15	13	136	194
Other income	30	42	54	57	48	66	38	33	183	185
Total operating income	**3,064**	**2,891**	**3,087**	**3,041**	**2,935**	**2,890**	**2,777**	**2,734**	**12,083**	**11,336**
General administrative expenses										
Staff costs	– 748	– 683	– 752	– 799	– 646	–1,059	–730	–774	–2,982	–3,209
Other expenses	– 506	– 446	– 450	– 454	– 496	– 466	–495	–497	–1,856	–1,954
Depreciation, amortisation and impairment charges of tangible and intangible assets	– 73	– 41	– 47	– 42	– 41	– 46	–35	–38	– 203	– 160
Total operating expenses	**–1,327**	**–1,170**	**–1,249**	**–1,295**	**–1,183**	**–1,571**	**–1,260**	**–1,309**	**–5,041**	**–5,323**
Profit before loan losses	**1,737**	**1,721**	**1,838**	**1,746**	**1,752**	**1,319**	**1,517**	**1,425**	**7,042**	**6,013**
Net loan losses	– 403	– 106	– 273	– 176	– 434	– 221	–247	–530	– 958	–1,432
Operating profit	**1,334**	**1,615**	**1,565**	**1,570**	**1,318**	**1,098**	**1,270**	**895**	**6,084**	**4,581**
Income tax expense	– 353	– 467	– 410	– 451	– 334	–302	–343	–255	–1,681	–1,234
Net profit for the period	**981**	**1,148**	**1,155**	**1,119**	**984**	**796**	**927**	**640**	**4,403**	**3,347**

[1] The quarterly figures are unaudited

Nordea Bank Norge Group - Five year overview

Income statements

NOKm	2012	2011	2010	2009	2008
Net interest income	8,896	8,349	8,278	9,070	8,402
Net fee and commission income	2,412	2,265	2,173	2,009	1,440
Net result from items at fair value	456	343	888	513	101
Profit/-loss from companies accounted for under the equity method	136	194	103	-478	841
Other income	183	185	208	129	273
Total operating income	**12,083**	**11,336**	**11,650**	**11,243**	**11,057**
General administrative expenses:					
Staff costs	-2,982	-3,209	-2,807	-3,257	-2,729
Other expenses	-1,856	-1,954	-2,115	-1,939	-1,793
Depreciation, amortisation and impairment charges of tangible and intangible assets	-203	-160	-154	-128	-139
Total operating expenses	**-5,041**	**-5,323**	**-5,076**	**-5,324**	**-4,661**
Profit before loan losses	**7,042**	**6,013**	**6,574**	**5,919**	**6,396**
Net loan losses	-958	-1,432	-725	-2,004	-651
Operating profit	**6,084**	**4,581**	**5,849**	**3,915**	**5,745**
Income tax expense	-1,681	-1,234	-1,549	-1,281	-1,415
Net profit for the year	**4,403**	**3,347**	**4,300**	**2,634**	**4,330**

Balance sheets

NOKm	2012	2011	2010	2009	2008
Interest-bearing securities	89,326	75,057	22,195	58,686	36,657
Loans to credit institutions	17,798	26,943	9,900	10,398	33,575
Loans to the public	455,990	464,403	439,213	422,300	446,527
Derivatives	1,466	5,803	324	1,738	7,409
Other assets	17,155	17,107	25,651	40,906	24,908
Total assets	**581,735**	**589,313**	**497,283**	**534,028**	**549,076**
Deposits by credit institutions	228,997	239,470	196,870	255,944	250,804
Deposits and borrowings from the public	218,952	223,195	234,062	217,165	235,407
Debt securities in issue	65,793	51,471	11,367	3,740	7,265
Derivatives	2,075	2,005	3,707	1,512	1,169
Subordinated liabilities	7,879	9,394	9,542	9,560	11,550
Other liabilities	21,791	33,366	12,172	19,362	15,735
Equity	36,248	30,412	29,563	26,745	27,146
Total liabilities and equity	**581,735**	**589,313**	**497,283**	**534,028**	**549,076**

Ratios and key figures

	2012	2011	2010	2009	2008
Earnings per share (EPS), NOK	7.99	6.07	7.80	4.78	7.85
Equity per share[1], NOK	65.74	55.16	53.62	48.51	49.23
Shares outstanding[1], million	551	551	551	551	551
Return on equity, %	13.9	11.6	15.6	10.1	17.6
Cost/income ratio, %	42	47	44	47	42
Loan loss ratio, basis points	19	32	17	45	18
Core tier 1 capital ratio, excluding transition rules[1], %	14.6	10.1	9.4	8.9	8.0
Tier 1 capital ratio, excluding transition rules[1], %	16.7	12.0	10.0	9.5	8.7
Total capital ratio, excluding transition rules[1], %	17.6	13.4	12.8	12.2	11.9
Core tier 1 capital ratio, including transition rules [1] %	10.7	8.0	7.9	7.6	6.1
Tier 1 capital ratio, including transition rules [1] %	12.3	9.5	8.5	8.1	6.6
Total capital ratio, including transition rules [1], %	13.0	10.6	10.8	10.5	9.1
Core tier 1 capital[1], NOKm	33,774	26,302	24,529	23,836	23,530
Tier 1 capital[1], NOKm	38,589	31,239	26,223	25,509	25,566
Risk-weighted assets, incl transition rules[1], NOKbn	314	329	310	314	385
Number of employees (full-time equivalents)[1,2]	2,889	3,132	3,229	3,244	3,412

[1] End of period.

[2] The figure for 2009 has been restated to not include employees on leave of absence. The figures for 2008 have not been restated.

Notes to the financial statements

Note 1 - Accounting policies

1. Basis for presentation

Nordea's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of such standards by the International Financial Reporting Standards Interpretations Committee (IFRS IC, formerly IFRIC), as endorsed by the EU Commission. In addition, certain complementary rules in the Norwegian Accounting Act with supported regulations have also been applied.

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

As a result of rounding adjustments, the figures in one or more columns or rows included in the financial statements may not add up to the total of that column or row.

On 6 February 2013 the Board of Directors approved the financial statements, subject to final approval at the Annual General Meeting on 11 March 2013.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2011 Annual Report, except for the categorisation of commissions within Note 3 Net fee and commission income. These changes are further described below.

Below follows also a section covering changes in IFRSs implemented in 2012, which have not had any significant impact on Nordea.

Categorisation of commissions

The categorisation of commission income and expense within Net fee and commission income has been improved by merging similar types of commissions. Commissions received for securities issues, corporate financial activities and issuer services were reclassified from "Payments" and "Other commission income" to the renamed lines "Brokerage, securities issues and corporate finance" and "Custody and issue services". This categorisation better describes the types of commission recognised in the income statement. The comparable figures have been restated accordingly and are disclosed in the below table.

	Jan–Dec 2011	
NOKm	New Policy	Old policy
Fee and commission income		
Brokerage securities issues and corporate finance	493	471
Custody and issuer services	223	144
Deposits	45	52
Payments	364	342
Other commission income	137	253
Fee and commission expense		
Savings and investments	-121	0
Payments	-252	-626
Cards	-374	0
Lending	-51	0
Other commission expense	-61	-233

Restatement of Gross interest income

During the financial turmoil in 2008, The Norwegian State effectuated a facility with banks, where government bonds would be swapped for covered bonds, 'bytteordningen'. The swap scheme's interest was recorded net as interest expense. Nordea has reassessed this treatment and restated interest income and interest expense on a gross basis. Net interest income is not affected. The comparable figures have been restated accordingly, and the impact is disclosed in the table below:

NOKm	Jan–Dec 2011	
	Restated	Pre re-statement
Interest income	18 689	18 164
Interest expense	-10 340	-9 815
Net interest income	**8 349**	**8 349**

Changes in IFRS implemented 2012

IASB has amended IAS 1 Presentation of Financial Statements (Presentation of Items of Other Comprehensive Income), IFRS 7 Financial instruments: Disclosures (Transfers of Financial Assets) and IAS 12 Income taxes (Recovery of Underlying Assets) and the amendments have been implemented in Nordea as from 1 January 2012. The amendments to IAS 1 have changed Nordea's presentation of other comprehensive income so that items that can later be reclassified to profit or loss are separated from the items that will not. The amendments to IFRS 7 have added disclosure around transferred assets in the financial statement of Nordea. The amended IAS 12 has not had any significant impact on the financial statements or on the capital adequacy in Nordea.

3. Changes in IFRS not yet applied by Nordea

IFRS 9 Financial instruments (Phase 1)

In 2009 the IASB published a new standard on financial instruments containing requirements for financial assets. Requirements for financial liabilities were added to this standard in 2010. The standard is the first step in the replacement of IAS 39 Financial instruments: Recognition and Measurement and this first phase covers the classification and measurement of financial assets and liabilities. The effective date is as from 1 January 2015, but earlier application is permitted. The EU commission has not yet endorsed this standard.

The tentative assessment is that there will be an impact on the financial statements as the new standard will decrease the number of measurement categories and therefore have an impact on the presentation and disclosures covering financial instruments. The new standard is, on the other hand, not expected to have a significant impact on Nordea's income statement and balance sheet as the mixed measurement model will be maintained. No significant reclassifications between fair value and amortised cost or impact on the capital adequacy are expected, but this is dependent on the financial instruments in Nordea's balance sheet at transition. It is furthermore expected that changes will be made to the standard before the standard becomes effective.

Nordea has, due to the fact that the standard is not yet endorsed by the EU commission and as changes before the effective date are likely, not finalised the investigation of the impact on the financial statements in the period of initial application or in subsequent periods.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other entities, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures
The effective date for these standards and amendments is as from 1 January 2013, but earlier application is permitted. The EU commission has endorsed these standards and amendments during 2012. In contrast to IFRS, the EU commission requires the standards to be applied for financial statements starting on or after 1 January 2014. Nordea will apply these standards as from 1 January 2014.

A potential impact from the new definition of control is that Nordea will have to consolidate additional entities (including so called Structured Entities or Special Purpose Entities, SPEs). Nordea's current assessment is that no additional entities that significantly affect Nordea's income statement, balance sheet or equity will have to be consolidated. The new standards furthermore include more extensive disclosure requirements which will have an impact on Nordea's disclosures covering consolidated and unconsolidated entities. Otherwise, the new standards and amendments are not expected to have a significant impact on Nordea's income statement or balance sheet. It is not expected that the new standards and amendments will have a significant impact on the capital adequacy.

Nordea has not finalised the investigation of the impact on the financial statements in the period of initial application or in subsequent periods.

IFRS 13 Fair Value Measurement
The effective date is as from 1 January 2013, but earlier application is permitted. The EU commission has endorsed this standard during 2012. Nordea will apply this standard as from 1 January 2013.

IFRS 13 clarifies how to measure fair value but does not change the requirements regarding which items should be measured at fair value. In addition IFRS 13 requires additional disclosures about fair value measurements.

The assessment is that the new standard will not have any significant impact on the income statement or balance sheet. There will on the other hand be an impact on the disclosures as the new standard requires more extensive disclosures regarding fair value measurements, especially for fair value measurements in level 3 of the fair value hierarchy.

The assessment is that the new standard will not have a significant impact on capital adequacy.

IAS 19 Employee Benefits
IASB has amended IAS 19, and the effective date is as from 1 January 2013, but earlier application is permitted. The EU commission has endorsed this amendment during 2012. Nordea will apply this amendment as from 1 January 2013.

The amended standard will have an impact on the financial statements in the period of initial application, as well as in subsequent periods. This is mainly related to defined benefit plans. The amended IAS 19 states that actuarial gains/losses shall be recognised immediately in equity through other comprehensive income, which will lead to higher volatility in equity compared to the current corridor approach. Consequently actuarial gains/losses outside the corridor will not be amortised through the income statement.

The amended IAS 19 furthermore states that the expected return on plan assets shall be recognised using the same interest rate as the discount rate used when measuring the pension obligation. This will likely lead to higher pension expenses in the income statement as Nordea currently expects a higher return than the discount rate. Any difference between the actual return and the expected return will be a part of the actuarial gains/losses recognised immediately in equity through other comprehensive income without recycling to the income statement.

The unrecognised actuarial losses at 31 December 2012 amounted to NOK 470m including social security wage tax and before deduction of the income tax, and is expected to have a negative impact on equity at transition, of NOK 338m after deduction of income tax. The expected negative impact on the capital adequacy is NOK 470m. The impact on the income statement is not expected to be significant.

IAS 32 Financial Instrument: Presentation
The change relates to offsetting of financial assets and financial liabilities. The amendment is not intended to change the criteria for offsetting, but to give additional guidance on how to apply the existing criteria.

The effective date is as from 1 January 2014 but earlier application is permitted. The EU commission has endorsed these amendments during 2012. Nordea expects to apply this amendment as from 1 January 2013. The tentative assessment is that the amended standard will not have any significant impact on the financial statements or on the capital adequacy.

IFRS 7 Financial instruments: Disclosures
This has been amended and will lead to additional disclosures around offsetting of financial assets and financial liabilities.

The effective date is as from 1 January 2013, but earlier application is permitted. The EU commission has endorsed these amendments during 2012. Nordea will apply these amendments as from 1 January 2013. The amended standard will not have any impact on the financial statements, apart from disclosures, or on the capital adequacy.

4. Critical judgements and key sources of estimation uncertainty

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

- 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
- the impairment testing of:
  – goodwill and
  – loans to the public/credit institutions
- the effectiveness testing of cash flow hedges
- the actuarial calculations of pension liabilities and plan assets related to employees
- the valuation of investment properties
- the classification of leases
- the valuation of deferred tax assets and
- claims in civil lawsuits.

Fair value measurement of certain financial instruments

Nordea's accounting policy for determining the fair value of financial instruments is described in section 11 Determination of fair value of financial instruments and Note 40 Assets and liabilities at fair value. Critical judgements that have a significant impact on the recognised amounts for financial instruments is exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices. Those judgements relate to the following areas:

- The choice of valuation techniques.
- The determination of when quoted prices fail to represent fair value (including the judgement of whether markets are active).
- The construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk.
- The judgement of which market parameters are observable.

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. That 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'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.

The combined fair value of financial assets and liabilities measured at fair value using a valuation technique, level 2 and 3 in the fair value hierarchy, was NOK 66,509m (NOK 37,275m) at the end of the year.

Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note 40 Assets and liabilities at fair value.

Impairment testing of goodwill

Nordea's accounting policy for goodwill is described in section 15 Intangible assets. Note 21 Intangible assets lists the cash generating units to which goodwill has been allocated. Nordea's total goodwill amounted to NOK 41m (NOK 41m) at the end of the year.

The estimation of future cash flows and the calculation of the rate used to discount those cash flows are subject to estimation uncertainty. The forecast of future cash flows is sensitive to the cash flow projections for the near future (2–3 years) and to the estimated sector growth rate for the period beyond 2–3 years. The growth rates are based on historical data, updated to reflect the current situation, which implies estimation uncertainty.

The rates used to discount future expected cash flows are based on the long-term risk free interest rate plus a risk premium (post tax). The risk premium is based on external information of overall risk premiums in relevant countries.

For information on the sensitivity to changes in relevant parameters, see Note 21 Intangible assets.

Impairment testing of loans to the public/credit institutions

Nordea's accounting policy for impairment testing of loans is described in section 13 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. Nordea's total lending before impairment allowances was NOK 475,870m (NOK 493,345m) at the end of the year. For more information, see Note 13 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 cash flows generated by the customers in the group of loans also includes estimation 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's accounting policies for cash flow hedges are described in section 9 Hedge accounting.

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

Where Nordea applies cash flow hedge accounting the hedging instruments used are predominantly cross currency interest rate swaps, which are always held at fair value. 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. 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.

Actuarial calculations of pension liabilities and plan assets related to employees

Nordea's accounting policy for post-employment benefits is described in section 20 Employee benefits.

The Projected Benefit pension Obligation (PBO) for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. As a basis for these calculations a number of actuarial and financial parameters are used.

The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough and of high quality, and also in connection to the extrapolation of yield curves to relevant maturities. In Norway the discount rate is determined with reference to covered bonds. Other parameters like assumptions about salary increases and inflation are based on the expected long-term development of these parameters and are also subject to estimation uncertainty. The fixing of these parameters at year-end is disclosed in Note 33 Retirement benefit obligations together with a description of the discount rate sensitivity.

The expected return on plan assets is estimated taking into account the asset composition and based on long-term expectations on the return on the different asset classes. On bonds this is linked to the discount rate while equities and real estate have an added risk premium, both are subject to estimation uncertainty. The expected return is disclosed in Note 33 Retirement benefit obligations.

Valuation of investment properties

Nordea's accounting policies for investment properties are described in section 17 Investment property.

Investment properties are measured at fair value. As there normally are no active markets for investment properties, the fair values are estimated based on discounted cash flow models. These models are based on assumptions on future rents, vacancy levels, operating and maintenance costs, yield requirements and interest rates.

The carrying amount of investment properties in the group was NOK 132m (NOK 0m) at the end of the year. See Note 24 Investment property for more information on amounts and parameters used in these models.

Classification of leases
Nordea's accounting policies for leases are described in section 14 Leasing.

Critical judgement has to be exercised when classifying lease contracts. A lease is classified as a finance lease if it transfers substantially all the risks and rewards related to ownership. A lease is classified as an operation lease if it does not transfer substantially all the risks and rewards related to ownership.

The central district properties in Norway that Nordea has divested are leased back. The duration of the lease agreement was initially 3–25 years with renewal options. The lease agreement includes no transfers of ownership of the assets by the end of the lease term, nor any economic benefit from appreciation in value of the leased property. In addition, the lease term is not for the major part of the assets´ economic life. As a result, Nordea has classified these leases as operation leases. This judgement is a critical judgement that has a significant impact on the carrying amounts in the financial statement.

More information on lease contracts can be found in Note 23 Leasing.

Valuation of deferred tax assets
The valuation of deferred tax assets is influenced by management's assessment of Nordea's future profitability. This assessment is updated and reviewed at each balance sheet date, and is, if necessary, revised to reflect the current situation.

See also the separate section 18 Taxes and Note 12 Taxes.

Claims in civil lawsuits
Within the framework of the normal business operations, Nordea faces a number of claims in civil lawsuits and other disputes, most of which involve relatively limited amounts. None of these disputes are considered likely to have any significant adverse effect on Nordea or its financial position. See also Note 32 Provisions and Note 36 Contingent liabilities.

5. Principles of consolidation

Consolidated entities
The consolidated financial statements include the accounts of the parent company Nordea Bank Norge ASA, and those entities that the parent company controls. Control is generally achieved when the parent company owns, directly or indirectly through group undertakings, more than 50 percent of the voting rights or otherwise has the power to govern the financial and operating policies of the entity.

All group undertakings are consolidated using the acquisition method. Under the acquisition method, the acquisition is regarded as a transaction whereby the parent company indirectly acquires the group undertaking's assets and assumes its liabilities and contingent liabilities. The group's acquisition cost is established in a purchase price allocation analysis. In such analysis, the cost of the business combination is established as the fair values of recognised identifiable assets, liabilities and contingent liabilities. The cost of the business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for the net assets acquired. Costs directly attributable to the business combination are expensed.

As at the acquisition date Nordea recognises the identifiable assets acquired and the liabilities assumed at their acquisition date fair values.

For each business combination Nordea measures the non-controlling interest in the acquired business either at fair value or at their proportionate share of the acquired identifiable net assets.

When the aggregate of the consideration transferred in a business combination and the amount recognised for non-controlling interest exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess is reported as goodwill. If the difference is negative, such difference is recognised immediately in the income statement.

Equity and net income attributable to non-controlling interests are separately disclosed on the balance sheet, income statement and statement of comprehensive income.

Intra-group transactions and balances between the consolidated group undertakings are eliminated. The group undertakings are included in the consolidated accounts as from the date on which control is transferred to Nordea and are no longer consolidated as from the date on which control ceases.

In the consolidation process the reporting from the group undertakings is adjusted to ensure consistency with the IFRS principles applied by Nordea.

Investments in associated undertakings
The equity method of accounting is used for associated undertakings where the share of voting rights is between 20 and 50 percent and/or where Nordea has significant influence. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control over those policies. Investments within Nordea's investment activities, which are classified as a venture capital organisation within Nordea, are measured at fair value in accordance with the rules set out in IAS 28 and IAS 39. Further information on the equity method is disclosed in section 6 Recognition of operating income and impairment.

Profits from companies accounted for under the equity method are reported post-taxes in the income statement.

Consequently, the tax expense related to these profits is not included in the income tax expense for Nordea.

Internal transactions, in the income statement, between Nordea and its associated undertakings are not eliminated. Nordea does not have any sales of assets to or from associated undertakings.

Currency translation of foreign entities
The consolidated financial statements are prepared in Norwegian Kroner (NOK), the presentation currency of the parent company Nordea Bank Norge ASA. The current method is used when translating the financial statements of foreign entities into NOK from their functional currency. The assets and liabilities of foreign entities have been translated at the closing rates, while items in the income statements and statements of comprehensive income are translated at the average exchange rate for the year. Translation differences are accounted for in other comprehensive income and are accumulated in the translation reserve in equity.

Information on the most important exchange rates is disclosed in the separate section 25 Exchange rates.

6. 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 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, with the exceptions described below, classified as Net interest income.

Interest income and expense related to all balance sheet items held at fair value in Markets are classified as Net result from items at fair value in the income statement. Also the interest on net funding of the operations in Markets is recognised on this line.

The interest component in FX swaps, and the interest paid and received in interest rate swaps plus changes in accrued interest, is classified as Net result from items at fair value, apart from derivatives used for hedging, including economical hedges of Nordea's funding, where such components are classified as Net interest income.

Net fee and commission income
Nordea earns commission income from different services provided to its customers. The recognition of commission income depends on the purpose for which the fees are received. Fees are either recognised as revenue when services are provided or in connection to the execution of a significant act. Fees received in connection to performed services are recognised as income in the period these services are provided. A loan syndication fee received as payment for arranging a loan as well as other fees received as payments for certain acts are recognised as revenue when the act has been completed, i.e. when the syndication has been finalised.

Commission expenses are transaction based and recognised in the period when the services are received. Income from issued financial guarantees and expenses from bought financial guarantees are amortised over the duration of the instruments and classified as Fee and commission income and Fee and commission expense respectively.

Net result from items at fair value
Realised and unrealised gains and losses on financial instruments measured at fair value through profit or loss are recognised in the item Net result from items at fair value.

Realised and unrealised gains and losses derive from:
- shares/participations and other share-related instruments
- interest-bearing securities and other interest-related instruments
- other financial instruments, including credit derivatives as well as commodity instruments/derivatives
- foreign exchange gains/losses and
- investment properties, which include realised and unrealised income, for instance revaluation gains and losses. This line also includes realised results from disposals as well as the running property yield stemming from the holding of investment properties.

Interest income and expense related to all balance sheet items in Markets, including the funding of these operations, are recognised in Net result from items at fair value.

Also the ineffective portion of cash flow hedges as well as recycled gains and losses on financial instruments classified into the category Available for sale, are recognised in 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.

Net result from items at fair value also includes losses from counterparty risk on instruments classified into the category Financial assets at fair value through profit or loss as well as impairment on instruments classified into the category Available for sale. Impairment losses from instruments within other categories are recognised in the items Net loan losses or Impairment of securities held as financial non-current assets (see also the sub-sections Net loan losses and Impairment of securities held as financial non-current assets below).

Dividends received are recognised in the income statement as Net result from items at fair value and classified as Shares/participations and other share-related instruments in the note. Income is recognised in the period in which the right to receive payment is established.

Profit from companies accounted for under the equity method
The profit from companies accounted for under the equity method is defined as the post-acquisition change in Nordea's share of net assets in the associated undertakings. Nordea's share of items accounted for in other comprehensive income in the associated undertakings is accounted for in other comprehensive income in Nordea. Profits from companies accounted for under the equity method are, as stated in section 5 Principles of consolidation, reported in the income statement post-taxes. Consequently, the tax expense related to these profits is excluded from the income tax expense for Nordea.

Fair values are, at acquisition, allocated to the associated undertaking's identifiable assets, liabilities and contingent liabilities. Any difference between Nordea's share of the fair values of the acquired identifiable net assets and the purchase price is goodwill or negative goodwill. Goodwill is included in the carrying amount of the associated undertaking. Subsequently the investment in the associated undertaking increases/decreases with Nordea's share of the post-acquisition change in net assets in the associated undertaking and decreases through received dividends and impairment. An impairment charge can be reversed in a subsequent period.

The change in Nordea´s share of the net assets is generally based on monthly reporting from the associated undertaking. For some associated undertakings not individually significant the change in Nordea's share of the net assets is based on the external reporting of the associated undertakings and affects the financial statements of Nordea in the period in which the information is available. The reporting from the associated undertakings is, if applicable, adjusted to comply with Nordea's accounting policies.

Other operating income
Net gains from divestments of shares in group undertakings and associated undertakings, net gains on sale of tangible assets as well as other operating income, not related to any other income line, are generally recognised when it is probable that the benefits associated with the transaction will flow to Nordea and if the significant risks and rewards have been transferred to the buyer (generally when the transactions are finalised).

Net loan losses
Impairment losses from financial assets classified into the category Loans and receivables (see section 12 Financial instruments), in the items Loans to credit institutions and Loans to the public in the balance sheet, are reported as Net loan losses, together with losses from financial guarantees. Losses are reported net of any collateral and other credit enhancements. Nordea's accounting policies for the calculation of impairment losses on loans can be found in section 13 Loans to the public/credit institutions. Counterparty losses on instruments classified into the category Financial assets at fair value through profit or loss, including credit derivatives, as well as impairment on financial assets classified into the category Available for sale are reported under Net result from items at fair value.

Impairment of securities held as financial non-current assets
Impairment on investments in interest-bearings securities, classified into the categories Loans and receivables or Held to maturity, and on investments in associated undertakings are classified as Impairment of securities held as financial non-current assets in the income statement. The policies covering impairment of financial assets classified into the categories Loans and receivables and Held to maturity are disclosed in section 12 Financial instruments and section 13 Loans to the public/credit institutions.

Investments in associated undertakings are assessed for impairment annually. If observable indicators (loss events) indicate that an associated undertaking is impaired, an impairment test is performed to assess whether there is objective evidence of impairment. The carrying amount of the investment in the associate is compared with the recoverable amount (higher of value in use and fair value less cost to sell) and the carrying amount is written down to the recoverable amount if required.

Impairment losses are reversed if the recoverable amount increases. The carrying amount is then increased to the recoverable amount, but cannot exceed the carrying amount that would have been determined had no impairment loss been recognised.

7. Recognition and derecognition of financial instruments in 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 in the balance sheet between trade date and settlement date) from the balance sheet on the trade date. Other financial instruments are recognised on 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, i.e. on settlement date.

In some cases, Nordea enters into transactions where it transfers assets that are recognised on the balance sheet, but retains either all or a portion of risks and rewards from the transferred assets. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the balance sheet. If Nordea's counterpart can sell or repledge the transferred assets, the assets are reclassified to the item Financial instruments pledged as collateral in the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include e.g. security lending agreements and repurchase agreements.

Financial liabilities are derecognised from the balance sheet when the liability is extinguished. Normally this occurs when Nordea performs, for example when Nordea repays a deposit to the counterpart, i.e. on settlement date. Financial liabilities under trade date accounting are generally reclassified to Other liabilities in the balance sheet on trade date.

For further information, see sections Securities borrowing and lending agreements and Repurchase and reverse repurchase agreements within section 12 Financial instruments, as well as Note 41 Transferred assets and obtained collaterals which are permitted to be sold or repledged.

8. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity is decided based upon the primary economic environment in which the entity operates. 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.

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.

9. Hedge accounting

Nordea 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 designated as the hedging instrument and removes some of the limitations in fair value hedge accounting relating to hedging core deposits and under-hedging strategies. Nordea 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.

There are three forms of hedge accounting:

- Fair value hedge accounting
- Cash flow hedge accounting
- Hedges of net investments in foreign operations

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's financial statements originates mainly from loans, securities and deposits 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 will be 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 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 consist of both individual assets or liabilities and portfolios of assets and liabilities.

Hedging instruments

The hedging instruments used in Nordea are predominantly interest rate swaps and cross currency interest rate swaps, which are always held at fair value. Cash instruments are only used in a few transactions as hedging instruments when hedging currency risk.

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 and recognised in the income statement in the same period as the cash flow, normally the interest income or interest expense from the hedged asset or liability.

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 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 are predominantly cross currency interest rate 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 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 on the hedged transaction (the currency component).

If the hedge relationship does not fulfil the requirements, hedge accounting will be terminated. The change in the unrealised value of the derivatives will, prospectively from the last time it was last proven effective, be accounted for in the income statement. For fair value hedges, the change in the fair value 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 through other comprehensive income from the period when the hedge was effective is reclassified from equity 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 other comprehensive income from the period when the hedge was effective remains in other comprehensive income until the transaction occurs or is no longer expected to occur.

10. 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 on 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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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 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 labelled active vary with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the 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.

The labelling of markets to be active or non-active is assessed regularly. The trade frequency and volume are monitored daily.

Nordea is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet items:

- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)

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. 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 is predominantly using valuation techniques to establish fair value for items disclosed under the following balance sheet items:

- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available)
- Derivatives (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 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 40 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 Nordea 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 Group Credit and Risk Control and all models are reviewed on a regular basis.

For further information, see Note 40 Assets and liabilities at fair value.

11. Cash and cash equivalents

Cash and cash equivalents consist of cash and balances with central banks where the following conditions are fulfilled:

- The central bank is domiciled in a country where Nordea is operating under a banking licence
- The balance is readily available at any time

Cash and cash equivalents are financial instruments classified into the category Loans and receivables, see section 12 Financial instruments.

Loans and receivables to credit institutions payable on demand are also recognised as Cash and cash equivalents in the Cash flow statement.

12. Financial instruments

Classification of financial instruments

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

Financial assets:
- Financial assets at fair value through profit or loss:
  - Held for trading
  - Designated at fair value through profit or loss (Fair Value Option)
- Loans and receivables
- Held to maturity
- Available for sale

Financial liabilities:
- Financial liabilities at fair value through profit or loss:
  - Held for trading
  - Designated at fair value through profit or loss (Fair Value Option)
- 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 measured in the balance sheet and how changes in its value are recognised. In Note 39 Classification of financial instruments the classification of the financial instruments in Nordea's balance sheet is presented into different categories.

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.

The category consists of two sub-categories; Held for trading and Designated at fair value through profit or loss (Fair value option).

The sub-category Held for trading mainly contains derivative instruments that are held for trading purposes, interest-bearing securities and shares within Markets and Treasury. It also contains trading liabilities such as short-selling positions.

Nordea also applies the Fair value option on certain financial assets and financial liabilities related to Markets. The classification stems from that Markets is managing and measuring all its financial assets and liabilities to fair value. Consequently, all financial assets and financial liabilities in Markets are classified into the categories Financial assets/Financial liabilities at fair value through profit or loss.

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 13 Loans to the public/credit institutions.

Held to maturity
Financial assets that Nordea has chosen to classify into the category Held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that Nordea has the positive intent and ability to hold to maturity. Financial assets classified into the category Held-to-maturity are initially recognised in the balance sheet at the acquisition price, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

If more than an insignificant amount of the Held to maturity portfolio is sold or transferred, the Held to maturity category is tainted, except for if the sale or transfer either occurs:

- close to maturity,
- after substantially all of the original principal is already collected, or
- due to an isolated non-recurring event beyond the control of Nordea.

Nordea assesses at each reporting date whether there is any objective evidence that the asset is impaired. If there is such evidence, an impairment loss is recorded. The loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows and is recognised as Loan Losses in the income statement. See section 13 Loans to the public/credit institutions for more information on the identification and measurement of objective evidence of impairment, which is applicable also for interest-bearings securities classified into the category Held to maturity.

Available for sale
Financial instruments classified into the category Available for sale are measured at fair value. Changes in fair values, except for interest, foreign exchange effects and impairment losses, are recognised in the fair value reserve in equity through Other comprehensive income. Interest is recognised in the item Interest income and foreign exchange effects and impairment losses in the item Net result from items at fair value in the income statement.

When an instrument classified into the category Available for sale is disposed of, the fair value changes that previously have been accumulated in the fair value reserve (related to Available for sale investments) in other comprehensive income are removed from equity and recognised in the income statement in the item Net result from items at fair value.

Financial assets classified into the category Available for sale are assessed at least annually in order to determine any need for impairment losses. If there is objective evidence of impairment, the accumulated loss that has been recognised in Other comprehensive income is removed from equity and recognised as Net result from items at fair value. The amount of the accumulated loss that is recycled from equity is the difference between the asset's acquisition cost and current fair value. For equity investments a prolonged and significant decline in the fair value, compared to the acquisition cost, is considered to be objective evidence of impairment. Objective evidence of impairment for a debt instrument is rather connected to a loss event, such as an issuer's financial difficulty.

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 Interest expense in the income statement.

Hybrid (combined) financial instruments
Hybrid (combined) financial instruments are contracts containing a host contract and an embedded derivative instrument. Such combinations arise predominantly from the issuance of structured debt instruments, such as issued index-linked bonds.

Index-linked bonds issued by Group Treasury are considered to be part of the funding activities. The zero coupon bond, is measured at amortised cost. The embedded derivatives in those instruments are separated from the host contract and accounted for as stand-alone derivatives at fair value, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the embedded derivative meets the definition of a derivative instrument. Changes in fair values, of the embedded derivatives, are recognised in the income statement in the item Net result from items at fair value.

Securities borrowing and lending agreements
Generally, securities borrowing and securities lending transactions are entered into on a collateralised basis. Unless the risks and rewards of ownership are transferred, the securities are not derecognised from or recognised on the balance sheet. In the cases where the counterpart is entitled to resell or repledge the securities, the securities are reclassified to the balance sheet as Financial instruments pledged as collateral.

Securities in securities lending transactions are also disclosed in the item Assets pledged as security for own liabilities.

Cash collateral advanced (securities borrowing) to the counterparts is recognised on the balance sheet as Loans to credit institutions or as Loans to the public. Cash collateral received (securities lending) from the counterparts are recognised on the balance sheet as Deposits by credit institutions or as Deposits and borrowings from the public.

Repurchase and reverse repurchase agreements
Securities delivered under repurchase agreements and securities received under reverse repurchase agreements are not derecognised from or recognised on the balance sheet. In the cases where the counterpart has the right to resell or repledge the securities, the securities are reclassified to the balance sheet line Financial instruments pledged as collateral.

Securities delivered under repurchase agreements are also disclosed in the item Assets pledged as security for own liabilities.

Cash received under repurchase agreements is recognised on the balance sheet as Deposits by credit institutions or as Deposits and borrowings from the public. Cash delivered under reverse repurchase agreements is recognised on the balance sheet as Loans to credit institutions or as Loans to the public.

Additionally, the sale of securities received in reverse repurchase agreements trigger the recognition of a trading liability (short sale).

Derivatives
All derivatives are recognised on 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 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.

13. Loans to the public/credit institutions
Financial instruments classified as Loans to the public/credit institutions in the balance sheet and into the category Loans and receivables not measured at fair value are measured at amortised cost (see also the separate section 7 Recognition and derecognition in the balance sheet as well as Note 39 Classification of financial instruments). Nordea monitors loans and receivables as described in the separate section on Risk, Liquidity and Capital management. Loans attached to individual customers or groups of customers are identified as impaired if the impairment tests indicate an objective evidence of impairment.

Also interest-bearings securities classified into the categories Loans and receivables and Held to maturity are held at amortised cost and the description below is valid also for the identification and measurement of impairment on these assets. Possible impairment losses on interest-bearing securities classified into the categories Loans and receivables and Held to maturity are recognised as Impairment of securities held as non-current financial assets in the income statement.

Impairment test of individually assessed loans
Nordea 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 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 level 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 monitors its portfolio through rating migrations, the credit decision and annual review process supplemented by quarterly risk reviews. Through these processes Nordea 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.

For corporate customers and bank counterparts, Nordea uses the existing rating system as a basis when assessing the credit risk. Nordea uses historical data on probability of default to estimate the risk for a default in a rating class. These loans are rated and grouped mostly based on type of industry and/or sensitivity to certain macro parameters, e.g. dependency to oil prices etc.

Personal customers and small corporate 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 on Risk, Liquidity and Capital management.

The collective assessment is performed through a netting principle, i.e. when rated engagements are up-rated due to estimated increases in cash flows, this improvement will be netted against losses on loans that are down-rated due to estimated decreases in cash-flows. Netting is only performed within groups with similar risk characteristics where Nordea assesses that the customers' future cash flows are insufficient to serve the loans in full.

Impairment loss
If the carrying amount of the loans is higher than the sum of the net present value of estimated cash flows, including the fair value of the collaterals and other credit enhancements, the difference is the impairment loss.

For significant loans that have been individually identified as impaired the measurement of the impairment loss is made on an individual basis.

For insignificant loans that have been individually identified as impaired and for loans not identified as impaired on an individual basis the measurement of the impairment loss is measured using portfolio based expectation of the future cash flows.

If the impairment loss is not regarded as final, the impairment loss is accounted for on 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 6 Recognition of operating income and impairment).

If the impairment loss is regarded as final, it is reported as a realised loss. A realised loss is recognised and the value of the loan and the related allowance for impairment loss are derecognised with a corresponding gain or loss recognised in the line item Net loan losses in the income statement. 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 forgives its claims either through a legal based or voluntary reconstruction or when Nordea, 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 has granted concessions to the obligor due to its deteriorated financial situation and where this concession has resulted in an impairment loss for Nordea. 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 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
In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquires an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of claims are reported on the same balance sheet line as similar assets already held by Nordea. For example a property taken over, not held for Nordea's own use, is reported together with other investment properties.
At initial recognition, all assets 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 assets taken over is recognised as Net loan losses. The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable.
In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Financial

assets that are foreclosed are classified into the categories Available for sale or Designated at fair value through profit or loss (Fair Value Option) (see section 12 Financial instruments) and measured at fair value. Changes in fair values are recognised in other comprehensive income for assets classified into the category Available for sale. For assets classified into the category Designated at fair value through profit or loss, changes in fair value are recognised in the income statement under the line Net result from items at fair value.

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. 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.

14. Leasing

Nordea as lessor

Finance leases

Nordea's leasing operations mainly comprise finance leases. A finance lease is reported as a receivable from the lessee in the balance sheet item Loans to the public at an amount equal to the net investment in the lease. The lease payment, excluding cost of services, is recorded as repayment of principal and interest income. The income allocation is based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of the finance lease.

Operating leases

Assets subject to operating leases on the balance sheet are reported in accordance with the nature of the assets, in general as property and equipment. Leasing income is recognised as income on a straight-line basis over the lease term and classified as Net interest income. The depreciation of the leased assets is calculated on the basis of Nordea's depreciation policy for similar assets and reported as Depreciation, amortisation and impairment charges of tangible and intangible assets in the income statement.

Nordea as lessee

Finance leases

Finance leases are recognised as assets and liabilities in the balance sheet at the amount equal to the fair value, or if lower, the present value of the minimum lease payments of the leased assets at the inception of the lease. The assets are reported in accordance with the nature of the assets. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A finance lease also gives rise to a depreciation expense for the leased asset. The depreciation policy is consistent with that of the assets in own use. Impairment testing of leased assets is performed following the same principles as for similar owned assets.

Operating leases

Operating leases are not recognised in Nordea's balance sheet. For operating leases the lease payments are recognised as expenses in the income statement on a straight-line basis over the lease term unless another systematic way better reflects the time pattern of Nordea's benefit. The original lease terms range between 3 to 25 years.

Operating leasing is mainly related to office premises contracts and office equipment contracts normal to the business.

The central district properties that Nordea has divested are leased back. The duration of the lease agreements were initially 3-25 years with renewal options. The lease agreements include no transfers of ownerships of the asset by the end of the lease term, nor any economic benefits from appreciation in value of the leased property. In addition, the lease term is not for the major part of the assets' economic life. These leases are thus classified as operating leases. The rental expense for these premises is recognised on the basis of the time-pattern of Nordea's economic benefit which differs from the straight-line basis and better resembles an ordinary rental arrangement.

15. Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance. The assets are under Nordea's control, which means that Nordea has the power and rights to obtain the future economic benefits flowing from the underlying resource. The intangible assets in Nordea mainly consist of goodwill, IT-development/computer software and customer related intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Nordea's share of net identifiable assets of the acquired group undertaking/associated undertaking at the date of acquisition. Goodwill on acquisition of group undertakings is included in Intangible assets. Goodwill on acquisitions of associates is not recognised as a separate asset, but included in Investments in associated undertakings. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill cannot be reversed in subsequent periods. Goodwill related to associated undertakings is not tested for impairment separately, but included in the total carrying amount of the associated undertaking. The policies covering impairment testing of associated undertakings is disclosed in section 6 Recognition of operating income and impairment.

IT-development/Computer software

Costs associated with maintaining computer software programs are expensed as incurred. Costs directly associated with major software development investments, with a useful life of three years or more and the ability to generate future economic benefits, are recognised as Intangible assets. These costs include software development staff costs and overhead expenditures directly attributable to preparing the asset for use. Computer software also includes acquired software licenses not related to the function of a tangible asset.

Amortisation is calculated on a straight-line basis over the useful life of the software, generally a period of 3 to 10 years.

Other intangible assets
Expenditure on acquired patents, trademarks and licenses is capitalised and amortised using the straight-line method over their useful lives, generally 5 years.

Impairment
Goodwill and other intangible assets with indefinite useful lives are not amortised but tested for impairment annually irrespective of any indications of impairment. Impairment testing is also performed more frequently if required due to any indication of impairment. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount.

At each balance sheet date, all other intangible assets with definite useful lives are reviewed for indications of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the intangible asset is fully recoverable.

The recoverable amount is the higher of the net selling price and the value in use of the asset or the cash-generating unit, which is defined as the smallest identifiable group of assets that generates largely independent cash inflows in relation to other assets. For goodwill, the cash generating units are defined as the customer areas by country. The value in use is the present value of the cash flows expected to be realised from the asset or the cash-generating unit. The cash flows are assessed based on the asset or cash-generating unit in its current condition and discounted at a rate based on the long-term risk free interest rate plus a risk premium (post tax). If the recoverable amount is less than the carrying amount, an impairment loss is recognised. See Note 21 Intangible assets for more information on the impairment testing.

16. Property and equipment
Property and equipment includes own-used properties, leasehold improvements, IT equipment, furniture and other equipment. Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment comprises of its purchase price, as well as any directly attributable costs of bringing the asset to the working condition for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Property and equipment is depreciated on a straight-line basis over the estimated useful life of the assets. The estimates of the useful life of different assets are reassessed on a yearly basis. Below follows the current estimates:

Buildings	30–75 years
Equipment	3–5 years
Leasehold improvements	Changes within buildings; the shorter of 10 years and the remaining leasing term. New construction; the shorter of the principles used for owned buildings and the remaining leasing term. Fixtures installed in leased properties are depreciated over the shorter of 10-20 years and the remaining leasing term.

At each balance sheet date, Nordea assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the recoverable amount of the asset is estimated and any impairment loss is recognised.

Impairment losses are reversed if the recoverable amount increases. The carrying amount is then increased to the recoverable amount, but can not exceed the carrying amount that would have been determined had no impairment loss been recognised.

17. Investment property
Investment properties are primarily properties held to earn rent and/or capital appreciation. Nordea applies the fair value model for subsequent measurement of investment properties. The best evidence of a fair value is normally given by quoted prices in an active market for similar property in the same location and condition. As these prices are rarely available discounted cash flow projection models based on reliable estimates of future cash flows are also used.

Net rental income, gains and losses as well as fair value adjustments are recognised directly in the income statement as Net result from items at fair value.

18. 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 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 substantively 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, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings and associated undertakings to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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 only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses 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 and Nordea intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

19. Earnings per share

Earning per share is calculated as Net profit for the period divided by the weighted average outstanding number of ordinary shares. Dilution is not applicable.

20. Employee benefits

All forms of consideration given by Nordea 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 Nordea consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

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. Nordea has also issued share-based payment programmes, which are further described in section 22 Share-based payment.

More information can be found in Note 8 Staff costs.

Post-employment benefits

Pension plans

The companies within Nordea Bank Norge Group have various defined pension plans. The major plans are funded schemes covered by assets in pension funds/foundations. 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, the net amount is recognised as a liability (defined benefit obligation). If not, the net amount is recognised as an asset (defined benefit asset). Unfunded pension plans are recognised as defined benefit obligations.

Nordea Bank Norge Group also has plans based on defined contribution arrangements that hold no pension liability.

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'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. Any unrecognised prior service cost and the fair value of any plan assets are deducted and unrecognised actuarial gains/losses adjusted for. Actuarial calculations, performed annually, 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 33 Retirement benefit obligations).

When establishing the present value of the obligation and the fair value of any plan assets, actuarial gains and losses may arise as a result of changes in actuarial assumptions and experience effects (actual outcome compared to assumptions). The actuarial gains and losses are not recognised immediately in the income statement. Rather, only when the net cumulative unrecognised actuarial gain or loss exceeds a corridor equal to 10 percent of the greater of either the present value of the defined benefit obligation or the fair value of the plan assets, the excess is recognised in the income statement over the expected average remaining service period of the employees participating in the plan, Otherwise, actuarial gains and losses are not recognised.

When the calculation results in a benefit to the Nordea entity, the recognised asset is limited to the net total of any unrecognised actuarial losses, unrecognised past service costs and 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 plan and is included in the Retirement benefit obligation.

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.

Termination benefits
As mentioned above termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy. Termination benefits do not arise if the employees have to continue performing services and the termination benefits can be considered to be normal compensation for those services.

Termination benefits are expensed when Nordea has an obligation to make the payment. An obligation arises when there is a formal plan committed to on the appropriate organisational level and when Nordea is without realistic possibility of withdrawal, which occurs when the plan has been communicated to the group affected or to their representatives.

Termination benefits can include both short-term benefits, for instance a number of months' salary, and post-employment benefits, normally in the form of early retirement. Short-term benefits are classified as Salaries and remuneration and post-employment benefits as Pension costs in Note 8 Staff costs.

21. Equity

Non-controlling interests
Non-controlling interests comprise the portion of net assets of group undertakings not owned directly or indirectly by Nordea Bank Norge ASA.

For each business combination, Nordea measures the non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets.

Other reserves
Other reserves comprise income and expenses, net after tax effects, which are reported in equity through Other comprehensive income in accordance with IFRS. These reserves include fair value reserves for cash flow hedges and financial assets classified into the category Available for sale as well as a reserve for translation differences.

Retained earnings
Retained earnings comprise accumulated undistributed profits including the earnings in associated undertakings, after the acquisition date for NBN Group.

22. Financial guarantee contracts and credit commitments

Upon initial recognition, premiums received in issued financial guarantee contracts and credit commitments are recognised as prepaid income on the balance sheet. The guarantees and irrevocable credit commitments are subsequently measured, and recognised on the balance sheet, at the higher of either the received fee less amortisation, or a provision calculated as the discounted best estimate of the expenditure required to settle the present obligation. Changes in provisions are recognised in the income statement in the item Net loan losses.

Premiums received for financial guarantees are, as stated in section 6 Recognition of operating income and impairment, amortised over the guarantee period and recognised as Fee and commission income in the income statement. Premiums received on credit commitments are generally amortised over the loan commitment period. The contractual amounts are recognised off-balance sheet, financial guarantees in the item Contingent liabilities and irrevocable credit commitments in the item Commitments.

23. Share-based payment

Equity-settled programmes
Nordea Bank AB (publ) has annually issued Long Term Incentive Programmes from 2007 through 2012. Key employees in Nordea Bank Norge Group also participate in these programmes and are granted share-based equity-settled rights, i.e. rights to receive shares for free or to acquire shares in Nordea Bank AB (publ) at a significant discount compared to the share price at grant date. The value of such rights is expensed. The expense is based on the estimated fair value of each right at grant date. The total fair value of these rights is determined based on the group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date. The fair value measured in this manner is expensed on a straight-line basis over the vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market performance conditions in D-rights/Performance Share II are reflected as a probability adjustment to the initial estimate of fair value at grant date. There is no adjustment (true-up) for differences between estimated and actual vesting due to market conditions.

Social security costs are also allocated over the vesting period, in accordance with Norwegian regulation. The provision for social security costs is reassessed on each reporting occasion to ensure that the provision is based on the rights' fair value at the reporting date.

For more information see Nordea Bank AB (publ) Annual Report.

Cash-settled programmes
Nordea has to defer payment of variable salaries under Nordic FSA's regulations and general guidelines. The deferred amounts are to some extent indexed using Nordea's TSR (Total Shareholders' Return) and these programmes are cash-settled share-based programmes under IFRS. These programmes are fully vested when the payments of variable salaries are initially deferred and the fair value of the obligation is remeasured on a continuous basis. The remeasurements are, together with the related social charges, recognised in the income statement in the item Net result from items at fair value.

24. Related party transactions
Nordea defines related parties as:
- Shareholders with significant influence
- Group undertakings
- Associated undertakings
- Key management personnel
- Other related parties

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

Shareholders with significant influence
Nordea Bank AB (publ) owns 100% of the shares in Nordea Bank Norge ASA and has significant influence.

Group undertakings
For the definition of Group undertakings see section 5 Principles of consolidation. Further information on the undertakings included in the NBN Group is found in Note 19 Investments in group undertakings.

Group internal transactions between legal entities are performed according to arm's length principles in conformity with OECD requirements on transfer pricing. These transactions are eliminated in the consolidated accounts.

Associated undertakings
For the definition of Associated undertakings see section 5 Principles of consolidation.

Further information on the associated undertakings included in the NBN Group is found in Note 20 Investments in associated undertakings.

Key management personnel
Key management personnel include the Board of Directors, the Chief Executive Officer, Group Executive Management, the Control Committee and the Board of Representatives. For information about compensation and pensions to key management personnel, see Note 8 Staff costs. Information concerning other transactions between Nordea and key management personnel is found in Nordea Bank AB (publ) Annual Report Note 43 Related-party transactions.

Other related parties
Other related parties comprise companies significantly influenced by key management personnel in Nordea Bank Norge Group as well as companies significantly influenced by close family members to these key management personnel. Other related parties also include Nordea Norge Pensjonskasse.

Information concerning transactions between Nordea and other related parties is found in Nordea Bank AB (publ) Annual Report Note 43 Related-party transactions.

25. Exchange rates

EUR 1 = NOK	2012	2011
Income statement (average)	7.4756	7.7946
Balance sheet (year-end)	7.3483	7.7540
USD 1 = NOK		
Income statement (average)	5.8186	5.6049
Balance sheet (year-end)	5.5694	5.9927
SEK 1 = NOK		
Income statement (average)	0.8590	0.8635
Balance sheet (year-end)	0.8563	0.8701
DKK 1 = NOK		
Income statement (average)	1.0043	1.0462
Balance sheet (year-end)	0.9849	1.0430

Note 2:

Segment reporting[1]

Income statement,	Retail Banking NO		CIB Total (Wholesale Banking)		Shipping, Offshore & Oil Services (Wholesale Banking)		Other Wholesale[3] (Wholesale Banking)		Group Corporate Centre		Other segments[4]		Total Operating segments		Reconc-iliation[2,3]		Total Group	
NOKm	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net interest income	6,844	5,288	1,045	920	1,223	1,297	134	92	1,988	1,352	-218	-66	11,016	8,883	-2,120	-534	8,896	8,349
Net fee and commission income	1,870	1,660	663	669	309	355	265	297	51	32	-486	-432	2,672	2,581	-260	-316	2,412	2,265
Net result from items at fair value	636	691	554	385	173	102	268	231	82	-21	1	1	1,714	1,389	-1,258	-1,046	456	343
Profit from companies accounted for under the equity method	0	0	0	0	0	0	0	0	0	0	3	3	3	3	133	191	136	194
Other income	31	21	0	-1	0	0	1	3	5	-6	137	159	174	176	9	9	183	185
Total operating income, NOKm	9,381	7,660	2,262	1,973	1,705	1,754	668	623	2,126	1,357	-563	-335	15,579	13,032	-3,496	-1,696	12,083	11,336
Staff costs	-1,603	-1,604	-50	-47	-114	-114	-710	-736	-42	-45	-297	-325	-2,816	-2,871	-166	-338	-2,982	-3,209
Other expenses	-2,446	-2,555	-522	-533	-154	-166	172	161	-180	-126	449	446	-2,681	-2,773	825	819	-1,856	-1,954
Depreciation, amortisation and impairment charges of tangible and intangible assets	-98	-80	0	0	0	0	-35	-30	-2	0	-53	-33	-188	-143	-15	-17	-203	-160
Total operating expenses	-4,147	-4,239	-572	-580	-268	-280	-573	-605	-224	-171	99	88	-5,685	-5,787	644	464	-5,041	-5,323
Net loan losses	-299	-303	-230	-405	-407	-623	0	-1	8	-16	-133	-61	-1,061	-1,409	103	-23	-958	-1,432
Operating profit, NOKm	4,935	3,118	1,460	988	1,030	851	95	17	1,910	1,170	-597	-308	8,833	5,836	-2,749	-1,255	6,084	4,581
Income tax expense[5]	-1,364	-840	-403	-266	-285	-229	-26	-5	-528	-315	165	83	-2,441	-1,572	760	338	-1,681	-1,234
Net profit for the year	3,571	2,278	1,057	722	745	622	69	12	1,382	855	-432	-225	6,392	4,264	-1,989	-917	4,403	3,347
Balance sheet, NOKmrd																		
Loans to the public, NOKbn	376	369	30	34	46	56	4	5	0	0	0	0	456	464	0	0	456	464
Deposits and borrowings from the public, NOKbn	162	164	42	39	15	18	0	2	0	0	0	0	219	223	0	0	219	223

Reconciliation between total operating segments and financial statements

	Total operating income, NOKm[1,3,4]		Operating profit, NOKm[1,3,4]		Loans to the public, NOKbn		Deposits and borrowings from the public, NOKbn	
	2012	2011	2012	2011	2012	2011	2012	2011
Total Operating segments	15,579	13,032	8,833	5,836	456	464	219	223
Reconciliation[2]	-1,650	-120	-1,635	-370	0	0	0	0
Eliminations	-171	-125	0	0	0	0	0	0
Differences in accounting policies	0	0	0	0	0	0	0	0
Differences in accounting policies between the segments and the group regarding Markets	-1,675	-1,451	-1,114	-885	0	0	0	0
Total	**12,083**	**11,336**	**6,084**	**4,581**	**456**	**464**	**219**	**223**

[1] Segment reporting has been changed as a consequence of organisational changes throughout 2012. Comparative information has been restated accordingly.

[2] Consists of Group Executive Management, Group Internal Audit, Group Risk Management, Group Human Resources, Group Identity and Communications, Sundry units incl Nordea Eiendomskreditt, eliminations and allocations related to Markets as per footnote 3 below.

[3] In the segment reporting the results from Markets' and Savings and Assets Management operations are allocated to the operating segments as if they were the counterparts in the customer transactions. In the financial statements the results are recognised where the legal agreements with the customers have been established.

[4] Other segments consists of Wealth Management and Group Operations & Other Lines of Business (GOOLB). In the reporting results, net interest income, net commission income and other income/expenses are presented after allocations from other operating segments for services received or rendered from Wealth and GOOLB as if they were the counterparts in the transactions. In the financial statements the results are recognised where the legal agreements with the customer are established. This practice is also used within Transaction Products which is reported within Other Wholesale.

[5] Income tax expense has been allocated amongst the segments based on internal reporting to the chief operating decision maker (GEM).

Note 2:
Segment reporting cont.

Measurement of operating segments' performance
The measurement principles and allocation between operating segments follow the information reported to the Chief Operating Decision Maker (CODM), as required by IFRS 8. In Nordea the CODM has been defined as Group Executive Management (GEM).

Internally developed and bought software have previously been expensed as incurred in the operating segments but capitalised, as required by IAS 38, in the group's balance sheet. As from the first quarter 2012 internally developed and bought software are capitalised directly in the operating segments. Comparative information has been restated accordingly.

Compared with the 2011 Annual Report there have been no changes in the measurement of segment profit or loss.

Changes in basis of segmentation
Nordea's organisation is developed around the three main business areas Retail Banking, Wholesale Banking and Wealth Management and around the business unit Group Operations & Other Lines of Business. The separate divisions within these main business areas and business unit have been identified as operating segments. Also Group Corporate Centre has been identified as an operating segment.

Financial results are presented for the two main business areas Retail Banking and Wholesale Banking, with further breakdown on operating segments, and for the operating segment Group Corporate Centre. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Group functions and eliminations as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

Reportable Operating segments
Retail Banking conducts a full service banking operation. It is Nordea's largest customer area and serves household customers and corporate customers in the Nordic market. Customers within Retail Banking are offered a complete range of banking products and services including account products, transaction products, market products and insurance products. Wholesale banking provides banking and other financial solutions to large nordic and international corporate, institutional and public companies. Corporate & Insitutional Banking is a customer oriented division serving the largest globally operating corporates. The division Shipping Offshore & Oil Services is responsible for Nordea's customers within the shipping, offshore and oil services industries. Nordea provides tailormade solutions and syndicated loan transactions within this area. The segment Wealth Management is responsible for delivering savings, products and services in private banking, institutional asset management and large corporate pension customers. The division GOOLB supports the Group in realizing greater efficiencies and governs Nordea Finance. The segment Group Corporate Center is responsible for strategy, the finance function and obtaining funding for the Group.

Total operating income split on product groups

NOKm	2012	2011
Banking products	10,630	10,040
Capital Markets products	980	899
Savings Products & Asset Management	154	117
Life & Pensions	68	60
Other	251	220
Total	**12,083**	**11,336**

Banking products consists of three product responsible divisions. Account products is responsible for developing and delivering account based products such as lending, deposits and cards and Netbank services. Transaction Products provides and develops cash management, trade and project finance services. Nordea Finance is responsible for asset based financing through leasing, hire purchase and factoring as well as offering sales to finance partners such as dealers, vendors and retailers. Capital Markets products includes financial instruments, or arrangement for a financial instrument, that are available in the financial marketplace, including currencies, commodities, stocks, bonds, and existing arrangements. Savings Products & Asset Management includes Investment funds, Discretionary Management, Portfolio Advice and Pension Accounts. Investment Funds is a bundled product where the fund company invests in stocks, bonds, derivatives or other standardised products on behalf of the fund's shareholders. Discretionary Management is a service providing the management of an investment portfolio on behalf of the customer and Portfolio Advice is a service provided to support the customers' investment decision. Nordea Life & Pensions provides life insurance and pension products and services. NBN is an agent for Nordea Life & Pensions in Norway.

Note 3:
Net interest income

	Group		Parent company	
NOKm	2012	2011[1]	2012	2011[1]
Interest income				
Loans to credit institutions	540	1,041	1,357	1,726
Loans to the public	17,270	16,529	12,842	12,673
Interest-bearing securities	939	713	1,488	1,688
Other interest income	1,323	406	886	379
Interest income	**20,072**	**18,689**	**16,573**	**16,466**
Interest expense				
Deposits by credit institutions	-2,129	-2,461	-2,136	-2,467
Deposits and borrowings from the public	-4,213	-4,534	-4,213	-4,533
Debt securities in issue	-1,757	-1,092	-74	-64
Subordinated liabilities	-473	-193	-473	-193
Other interest expenses[2]	-2,604	-2,060	-2,543	-1,954
Interest expense	**-11,176**	**-10,340**	**-9,439**	**-9,211**
Net interest income	**8,896**	**8,349**	**7,134**	**7,255**

[1] 2011 restated for treatment of interest income and expense related to the Norwegian 'bytteordningen', for further explanation see Note 1 Accounting policies.
[2] Includes net interest income from derivatives, measured at fair value and related to Nordea's funding. This can have both a positive and negative impact on other interest expense, for further information see Note 1 Accounting policies.

Interest income from financial instruments not measured at fair value through profit and loss amounts to NOK 19,387m (18,386) for the group and NOK 15,338m (15,188) for the parent company. Interest expenses from financial instruments not measured at fair value through profit and loss amounts to NOK 9,013m (8,108) for the Group and NOK 7,338m (7,083) for the parent company.

Net interest income

	Group		Parent company	
NOKm	2012	2011[1]	2012	2011[1]
Interest income	19,611	18,280	16,573	16,466
Leasing income[2]	461	409	0	0
Interest expenses	-11,176	-10,340	-9,439	-9,211
Total	**8,896**	**8,349**	**7,134**	**7,255**

[1] 2011 restated for treatment of interest income and expense related to the Norwegian 'bytteordningen', for further explanation see Note 1 Accounting policies.
[2] Of which contingent leasing income amounts to NOK 0m (NOK 0m). Contingent leasing income in Nordea consist of variable interest rates, excluding the fixed margin. If the contingent leasing income decreases there will be an offsetting impact from lower funding expenses.

Note 4:
Net fee and commission income

	Group		Parent company	
NOKm	2012	2011	2012	2011
Asset management commissions	78	65	78	65
Life insurance	68	60	68	60
Brokerage, securities issues and corporate finance[1]	458	493	458	493
Custody and issuer services[1]	203	223	203	223
Deposits[1]	79	45	76	45
Total savings and investments	886	886	883	886
Payments[1]	373	364	373	364
Cards	815	801	811	801
Total payment and cards	1,188	1,165	1,184	1,165
Lending[1]	928	849	759	732
Guarantees and documentary payments	75	87	75	87
Total lending related to commissions	1,003	936	834	819
Other commission income[1]	99	137	102	142
Fee and commission income	**3,176**	**3,124**	**3,003**	**3,012**
Savings and investments[1]	–126	–121	–123	–121
Payments[1]	–254	–252	–254	–252
Cards[1]	–335	–374	–334	–374
Lending[1]	–2	–51	0	–
Other commission expenses[1]	–47	–61	–45	–58
Fee and commission expense	**–764**	**–859**	**–756**	**–805**
Net fee and commission income	**2,412**	**2,265**	**2,247**	**2,207**

[1]Restated. The categorisation of commision income and expense within "Net fee and commision income" has been changed. See Note 1 Accounting policies for further details.

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amount to NOK 1,007m (901) for the group and NOK 834m (784) for the parent company.

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amount to NOK 604m (596) for the group and NOK 604m (596) for the parent company. The corresponding amount for fee expenses is NOK 0m (0) for the group.

Note 5:
Net result from items at fair value

	Group		Parent	
NOKm	2012	2011	2012	2011
Shares/participations and other share-related instruments	6	148	4	147
Interest-bearing securities and other interest-related instruments	302	13	264	-129
Foreign exchange gains/losses	141	182	192	130
Investment properties	7	0	0	0
Total	**456**	**343**	**460**	**148**

Net result from categories of financial instruments

	Group		Parent	
NOKm	2012	2011 [1]	2012	2011 [1]
Available for sale assets, realised	-6	27	-6	27
Financial instruments designated at fair value through profit or loss	23	-176	20	-176
Financial instruments held for trading	200	364	204	145
Financial instruments under fair value hedge accounting	-1	-8	-7	8
- of which net result on hedging instruments	335	363	-242	-133
- of which net result on hedged items	-336	-371	235	142
Financial assets measured at amortised cost	58	14	58	14
Foreign exchange gains/losses excl currency hedges	175	122	191	131
Other	7	0	0	-1
Total	**456**	**343**	**460**	**148**

[1] Restated to comply with Nordea Group figures.

Note 6:
Dividends and group contribution

	Parent company	
NOKm	2012	2011
Investments in group undertakings	312	0
Investments in associated undertakings	0	116
Total	**312**	**116**

Note 7:
Other operating income

	Group		Parent company	
NOKm	2012	2011	2012	2011
Income from real estate	49	32	10	11
Disposals of tangible and intangible assets	73	62	6	10
Other	61	91	240	207
Total	**183**	**185**	**256**	**228**

Note 8:
Staff costs

	Group		Parent company	
NOKm	2012	2011	2012	2011
Salaries and remunerations	2,144	2,349	2,034	2,241
Pension costs (specification below)	285	307	278	297
Social security contributions	355	380	335	363
Allocation to profit-sharing[1]	64	15	60	13
Other staff costs	134	158	130	154
Total[2]	**2,982**	**3,209**	**2,837**	**3,068**

[1] Allocation to profit-sharing foundation 2012 consists of a new allocation of NOK 58m (54m for the parent company) and allocation for prior years of NOK 6m (6m for the parent company).

[2] Of which 11m (255m) relates to New Normal and other restructuring in 2012 for the group and the parent company.

Pension costs (excluding social charges)	Group		Parent company	
NOKm	2012	2011	2012	2011
Defined Benefit plans (Note 33)	317	336	310	327
Defined Contribution plans (Note 33)	-32	-29	-32	-30
Total[1]	**285**	**307**	**278**	**297**

[1] 324m (314m for the parent company) including social charges.

Number of employees/full time positions				
Number of employees as at 31.12	3,176	3,514	2,982	3,327
Full-time equivalents as at 31.12.	2,889	3,132	2,716	2,965
- of which men	1,544	1,689	1,449	1,603
- of which women	1,345	1,443	1,267	1,362
Average full time equivalents	2,967	3,249	2,794	3,080
- of which men	1,576	1,760	1,486	1,673
- of which women	1,391	1,489	1,308	1,407
Gender distribution Board of Directors				
Percent at year-end				
- Men	71	73	60	60
- Women	29	27	40	40

Additional disclosure on remuneration under Nordic FSAs' regulation and general guidelines

Qualitative disclosures can be found in the separate section on remuneration in the Board of Director's Report in NB AB's annual report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) one week before the Annual General meeting in NB AB on 14 March 2013.

Statement to the annual general meeting 2013 about salaries and other remuneration to senior executives

Pursuant to Section 6-16a of the Norwegian Public Limited Liability Companies Act the Board of Directors of Nordea Bank Norge ASA will issue the following statement to the company's Annual General Meeting 2013:

Nordea Bank Norge ASA is a wholly owned subsidiary of Nordea Bank AB (publ) and a part of the Nordea Group, and follows the relevant guidelines for determination of salary and remuneration to the CEO and other senior executives set out by Nordea, with minor adjustments due to local requirements. Nordea's guidelines for determination of salary and incentives are described in the annual report for Nordea Bank AB (publ) and on the company's homepage under Corporate Governance.

Compensation to the CEO
The CEO is employed by Nordea Bank AB (publ) and works through the company's Norwegian branch. The CEO receives her salary and other remuneration from Nordea Bank AB (publ). Nordea Bank Norge ASA compensates Nordea Bank AB (publ) for the services rendered by the CEO. This compensation is proposed by the Board of Directors and determined by the Board of Representatives. For 2012 the compensation was fixed at NOK 1,500,000, the same level as in 2007, 2008, 2009, 2010 and 2011.

The CEO did not receive any bonuses or non-monetary benefits from Nordea Bank Norge ASA for 2012, and did not receive any remuneration in form of shares, options, etc. in Nordea Bank Norge ASA in 2012, as mentioned in Section 6-16 a, no. 3, however see also comments under non-monetary benefits below.

Senior executives – salary and bonus/variable salary part
For senior executives in general, Nordea's aim is to maintain salaries and other benefits at a competitive level in order to ensure satisfactory recruitment to such positions. Market adjustment, therefore, is a key element in the stipulation.

The fixed salary of senior executives are adjusted annually, subject to individual assessments and within the upper average limit determined by the Group Executive Management. This limit is based on the general growth in salaries and costs in the relevant area. Both the general development and more industry-specific figures are considered, for example the general wage settlements in the finance sector.

In 2012, an individual incentive scheme also applied to senior executives, comprising a variable salary part, VSP. This scheme is contingent upon the

Note 8:
Staff costs cont.

management's decision, and also to predetermined criteria and limited to a percentage of the regular, fixed salary.

The variable salary part, VSP, is as a general rule maximum 25% of the regular fixed salary. This is paid in addition to the regular, fixed salary and subject to achievement of Nordea Group, unit and personal targets. The targets are set annually in co-operation with superior manager.

Thus, senior executives in Nordea Bank Norge ASA may receive a maximum of 25% of their regular, fixed salary as an addition/a bonus within this scheme. In addition, special schemes that may exceed this level, may also apply to a very limited number of senior executives within specific professional fields.

A few senior executives have a severance pay agreement provided if the employer terminates their assignment. The employees covered by this scheme will receive their regular, fixed salary for a number of months depending on their seniority in their management position, limited to 24 months including their 6 months' period of notice, with the deduction of any income from other employers or assignments.

Senior executives – shares, subscription rights, etc.
Nordea's Long-Term Incentive Programmes (LTIP) are share-based and the outcome is subject to certain performance conditions. The Board's main objective with the programmes is to strengthen Nordea's capability to retain and recruit the best talent for key leadership positions. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's results, profitability and value growth, to increased efforts by aligning their interests and perspectives with those of the shareholders.

The participants take direct ownership by allocating Nordea Bank AB (publ) shares to the programmes. For each ordinary Nordea Bank AB (publ) share the participant locks into an LTIP, the participant is allotted one matching share and up to three performance shares, conditional upon fulfillment of certain performance conditions during the three year vesting period. For 2012, the participants defined as employees with duties essential to the firm's risk exposure could receive up to four performance shares.

The underlying basic principles under the LTIPs are that the outcome shall be dependent on the creation of long-term shareholder value by fulfillment of Nordea's long-term financial targets. It is further required that the participant, with certain exemptions, remains employed within the Nordea Group during the initial three year vesting period and that all Nordea shares locked into an LTIP are kept during this period. Nordea's first LTIP was introduced in May 2007, targeting up to 400 managers and key employees identified as essential to the future development of the Group. LTIP 2007 has been followed by annual programmes based on the same principles. LTIP 2010, LTIP 2011 and LTIP 2012 have a three-year vesting period instead of two years as the previous programmes, and are based on shares free of charge instead of rights to acquire Nordea shares. On a yearly basis the Board of Directors evaluate whether a similar incentive programme should be proposed to the Annual General Meeting.

More information on the LTIP 2007, LTIP 2008, LTIP 2009, LTIP 2010, LTIP 2011 and LTIP 2012 can be found at www.nordea.com, as well as in the Annual Report of Nordea Bank AB (publ) for previous years.

The Board of Directors of Nordea Bank AB (publ) has decided not to propose a Long-Term Incentive Programme (LTIP 2013) to the Annual General Meeting 2013.

The programme covers 51 senior executives in Nordea Bank Norge ASA included from 2008, 57 senior executives included from 2009, 61 senior executives included from 2010, 57 senior executives included from 2011 and 48 senior executives included from 2012.

For Nordea Bank Norge ASA the scheme will have a marginal cost effect.

The executive officers have up to 2012 been offered a short term variable salary part ("VSP") and a Long Term Incentive Programme ("LTIP"). In order to reduce the complexity of having both VSP and LTIP the executive officers will be offered an Executive Incentive Programme (EIP 2013) to reward performance meeting predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The outcome from EIP 2013 shall be paid over a five year period in cash and be subject to forfeiture clauses, Total Shareholder Return indexation and retention based on the Swedish Financial Supervisory Authority's regulations on remuneration systems, taking account of domestic rules and practices where relevant. EIP 2013 has a one year performance period and the outcome shall not exceed the fixed salary.

Senior executives – non-monetary benefits
Based on the principle of market adjustment of salaries and other benefits, non-monetary benefits like free car/car scheme, telephone and computer, loans on employee terms, insurance schemes, etc. are given in accordance with the management's guidelines and normal practice in general.

Senior executives – pension schemes
In 2010 it was decided to close the existing defined benefit pension plan with effect from January 1, 2011, as well as reducing the level of current performance from 70% to 66% at retirement. Based on this, all the employees have decided upon the choice whether to participate in the new defined contribution plan or to remain in the existing defined benefit plan. All employees hired after 01.01. 2011 are enrolled in a defined contribution plan.

These changes also comprise senior executives, including normal contribution period. However, some have individual agreements in relation to the level of contribution and a mutual right to resign and/or demand resignation at the age of 60.

Effects on the company in 2012
The above principles and guidelines have been in practice over time, and are complied with in 2012, with the exception of minor adjustments for the key management and the annual assessment of the group and personal goals. We have no reason to point at any specific effects for the company or the shareholders.

Guidelines for 2013
The principles and guidelines described above will also apply to 2013. However, necessary adjustments will be done in line with amendments of relevant laws and regulations concerning incentive programmes in financial institutions.

Note 8:
Staff costs cont.

Explanation of details regarding individually specified remuneration as specified in the table below

Fixed salary and fees – relates to received regular salary for the financial year paid by Nordea Bank Norge Group and includes any fee agreed by the Board of Representatives.

Variable salary – includes profit sharing, incentive- and excecutive bonuses. Key management personnel are part of a bonus programme based upon achieved results. The intention behind this programme is to reward special contribution to achieve the goals set in Nordea. All employees receive profit sharing according to common Nordea strategy.

Benefits – includes car allowance, newspaper, insurance and electronic communication allowance (such as mobile phone and internet access).

Pensions and pension obligation – pensions include changes in the individual's accrued rights under the defined benefit plan (DBP) and any premiums paid to the defined contribution plan during the year. The amount related to the DBP plan equals the annual change in the present value of the pension obligations (PBO), best reflecting the change in pension right for the year. Pension obligation equals the total pension obligations at the end of the year. These obligations are to a high degree covered by plan assets.

Loans and interest – loans are total loan engagement as of 31 December 2012. Key management personnel are given loans on the same terms as regular employees. The employee interest rate for loans is 100 basis points lower than the best corresponding interest rate for external customers, with a cap on the loan amount with employee terms of 3 times salary grade 55 plus NOK 100,000. Loans to family members of key management personnel are granted on normal market terms, as well as loans to key management personnel not employed by Nordea. Interest includes interest income on the loans for Nordea Bank Norge Group during 2012.

Salaries and remuneration – per individual, figures in NOK thousand, 2012

Name and position	Fixed salary and fees	Variable salary	Benefits	Pensions	**Total remune-ration**	Pension obligation	Loans	Interest
Gunn Wærsted, CEO [1]							5,176	189
Ari Kaperi, Chairman of the Board [1]								
Fredrik Rystedt [1]								
Karin S. Thorburn	185				185			
Mary Helene Moe	185				185		5	
Steinar Nickelsen, employees' representative	741	10	20	48	819	767	4,162	39
Hans Christian Riise, deputy employees' representative [4]	24				24			
Total CEO and Board of Directors of NBN ASA[1]	**1,135**	**10**	**20**	**48**	**1,213**	**767**	**9,343**	**228**
Ari Kaperi, Chairman of the Board [1]								
Karin S. Thorburn	34				34			
Total Board Audit Committee of NBN ASA [1]	**34**	**0**	**0**	**0**	**34**	**0**	**0**	**0**
Inger Johanne Lund, Chairman	174				174			
Odd Svang-Rasmussen [2]	135				135			
Christian Hambro [2]	105				105			
Janicke L. Rasmussen	135				135			
Total Control Committee of NBN ASA	**549**	**0**	**0**	**0**	**549**	**0**	**0**	**0**
Total Board of Representatives of NBN ASA [3 4]	**4,143**	**388**	**85**	**514**	**5,130**	**8,281**	**21,852**	**426**
Total remuneration and loans to Senior Executives	**5,861**	**398**	**105**	**562**	**6,926**	**9,048**	**31,195**	**654**

Comments

[1] Nordea Bank Norge Group does not operate with a separate local General Executive Management team (GEM). This is based on the Nordea operating model where all business areas and main group functions are managed on a Nordic level through GEM in Nordea Bank AB (publ) (NB AB). GEM is represented in the NBN Board of Directors through the Group CFO, Fredrik Rystedt (replaced by Torsten Hagen Jørgensen beginning of 2013), and Ari Kaperi (CRO). The Managing Director is employed by the NB AB branch in Norway and a member of GEM. This ensures that Nordea is managed according to Nordea Group strategy. The Managing Director and the Members of the Board employed in Nordea companies do not receive any individual fee for the services provided to NBN. However, NBN paid compensation of NOK 3m to NB AB in 2012. In addition, as a compensation to NB AB branch in Norway for the work relating to the position as Managing Director of Nordea Bank Norge ASA, the Board of Representatives has approved an amount of NOK 1.5m for 2012.

NBN does not have expenses to pensions and other remunerations to the CEO and has no obligation towards CEO or Chairman of the Board to pay individual compensation when the assignment comes to an end or by changes in the assignment.

[2] Member of Control Committees in both NBN and Nordea Finans Norge AS (NFN). NOK 30,000 of total fees shown in the table is remunerated from NFN for membership in the NFN Control Committee.

[3] Total fee paid in 2012 to all members of the Board of Representatives in NBN was NOK 174,400, of which NOK 127,100 was paid to external members not employed by Nordea. All attending members received NOK 3,600 for each of the two meetings during the year. Loans to external members amounted to NOK 9,908,283 at year end, and the fee was paid according to attendance to the external members: Inger Johanne Lund, Øyvind A. Brøymer, Christian Hambro, Jens L. Hofgaard, Nina Iversen, Petter Faye-Lund, Eli Skrøvset, Hege Marie Norheim, Anders Utne, Peter Groth, Ragnar Kårhus and Sissel Stenberg. The fee for the chairman Bjarne Aamodt was NOK 65,900 and for the deputy chairman Cato A. Holmsen NOK 18,500 (employee in NBN ASA). For Nordea employed members, the following members received up to NOK 7,200 for the services: Hedda Henriette Grundt, Marianne Schøitz, Arve Sæther, Harald Rune Ulstein, Lars Vambheim, Oddvar Hauge and Erik A. Gunnestad. The other figures above shows the remunerations these individuals and the deputy chairman receive in relation to their regular employment with Nordea.

In addition to the loan amount shown in the table, NBN has customer relationships with related companies, where members of the Board of Representatives have sigificant influence. See Note 43 Related - party transactions for further information.

[4] For deputy employees' representatives only fees agreed by the Board of Representatives have been included.

Note 8:
Staff costs cont.

Salaries and remuneration – per individual, figures in NOK thousand, 2011

Name and position	Fixed salary and fees	Variable salary	Benefits	Pensions	**Total remune-ration**	Pension obligation	Loans	Interest
Gunn Wærsted, CEO [1]							6 775	144
Ari Kaperi, Chairman of the Board [1]								
Fredrik Rystedt [1]								
Karin S. Thorburn	185				185			
Mary Helene Moe	185				185		8	
Steinar Nickelsen, employees' representative	721	13	21	58	813	1,178	1,267	30
Total CEO and Board of Directors of NBN ASA [1]	**1,091**	**13**	**21**	**58**	**1,183**	**1,178**	**8,050**	**174**
Ari Kaperi, Chairman of the Board [1]								
Karin S. Thorburn	34				34			
Total Board Audit Committee of NBN ASA [1]	**34**	**0**	**0**	**0**	**34**	**0**	**0**	**0**
Inger Johanne Lund, Chairman	174				174			
Odd Svang-Rasmussen [2]	105				105			
Christian Hambro [2]	105				105			
Janicke L. Rasmussen	105				105			
Total Control Committee of NBN ASA	**489**	**0**	**0**	**0**	**489**	**0**	**0**	**0**
Total Board of Representatives of NBN ASA [3 4]	**2,810**	**215**	**154**	**1,010**	**4,189**	**26,234**	**9,051**	**224**
Total remuneration and loans to Senior Executives	**4,424**	**228**	**175**	**1,068**	**5,895**	**27,412**	**17,101**	**398**

Comments

[1] Nordea Bank Norge Group does not operate with a separate local General Executive Management team (GEM). This is based on the Nordea operating model where all business areas and main group functions are managed on a Nordic level through GEM in Nordea Bank AB (publ) (NB AB). GEM is represented in the NBN Board of Directors through the Group CFO, Fredrik Rystedt, and Ari Kaperi (CRO). The CEO is employed by NB AB and member of GEM. This ensures that Nordea is managed according to Nordea Group strategy. The CEO and the Members of the Board employed in Nordea companies do not receive any individual fee for the services provided to NBN. However, NBN paid compensation of NOK 3m to NB AB in 2011. In addition, as a compensation to NB AB for the work relating to the position as CEO of Nordea Bank Norge ASA, the Board of Representatives has approved an amount of NOK 1.5m for 2011.

NBN does not have expenses to pensions and other remunerations to the CEO and has no obligation towards CEO or Chairman of the Board to pay individual compensation when the assignment comes to an end or by changes in the assignment.

[2] Member of Control Committees in both NBN and Nordea Finans Norge AS (NFN). In addition to the fee shown in the table, NOK 30,000 was remunerated from NFN regarding the membership in the Control Committee.

[3] Total fee paid in 2011 to all members of the Board of Representatives in NBN was NOK 181,600, of which NOK 152,800 was paid to external members not employed by Nordea. All attending members received NOK 3,600 for each of the two meetings during the year. Loans to external members amounted to NOK 4,100,851 at year end, and the fee was paid according to attendance to the external members: Øyvind A. Brøymer, Jens L. Hofgaard, Christian Hambro, Nina Iversen, Anders Utne, John Giverholt, Eli Skrøvset, Inger Johanne Lund, Sissel Stenberg, Petter Faye-Lund, Stein Wessel-Aas, Ragnar Kårhus, Hege Marie Norheim and Peter Groth. The fee for the chairman Bjarne Aamodt was NOK 65,900 and for the deputy chairman Cato A. Holmsen NOK 18,500. For Nordea employed members, the following members received up to NOK 7,200 for the services: Lars Vambheim, Oddvar Hauge, Erik A. Gunnestad, Arve Sæther, Marianne Schøits, Irene Jensen, Torgeir Johnsen and Pål Adrian Hellman. The other figures above shows the remunerations these individuals receive in relation to their regular employment with Nordea and pensions to a former employee now member of the Board of Representatives.

In addition to the loan amount shown in the table, NBN has customer relationships with related companies, were members of the Board of Representatives have sigificant influence. See Note 43 Related - party transactions for further information.

Shares, options, loans etc.

None of the senior executives has shares, option rights or hold part of any option programme within NBN Group. However, some key personnel in NBN Group are part of the NB AB's share option programme, referred to above as Long Term Incentive Programme, LTIP. The Chairman of the Board of NBN ASA does not have loans in NBN Group.

Loans to the Group's employees (including retired employees) totalled NOK 6.8bn as of 31 December 2012. The interest income totalled NOK 42.4m on these loans in 2012. The effect is included in net interest income.

Cash-settled share-based payment transactions

Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea Total Shareholder Returns (TSR) and either vesting after three years or vesting in equal instalments over a three to five year period. Since 2011 Nordea also operates TSR-linked retention on parts of variable compensation for certain employee categories. The below table only includes deferred amounts indexed with Nordea TSR. Nordea also operates deferrals not being TSR-linked, which are not included in the table below. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

	Group		Parent company	
NOKt	2012	2011	2012	2011
Deferred TSR-linked compensation 1. jan	21,615	19,663	21,615	19,663
Accrued deferred/retained TSR-linked compensation during the year	14,813	15,481	14,653	15,481
TSR indexation during the year	6,444	-6,975	6,410	-6,975
Payments during the year [2]	-4,718	-6,554	-4,718	-6,554
Translation differences	-321	0	-321	0
Deferred TSR-linked compensation 31. Dec [1]	**37,833**	**21,615**	**37,639**	**21,615**

[1] Of which NOK 11,896,721 (NOK 11,832,122 for the parent company) is available for disposal by the employees in 2013. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year relates to variable compensation earned the previous year.

[2] There have been no adjustments due to forfeitures in 2012.

Note 9:
Other expenses

NOKm	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Information technology	587	614	571	606
Marketing and representation	148	152	137	141
Postage, transportation, telephone and office expenses	208	208	197	204
Rents, premises and real estate	420	457	414	455
Other [1]	493	523	460	477
Total	**1,856**	**1,954**	**1,779**	**1,883**

[1] Including fees and remuneration to auditors distributed as follows.

Auditors' fees

During the year the Group has expensed fees of NOK 5.3m including VAT to its external auditors (NOK 4.3m for the parent). For group NOK 5.2m were connected to audit work (4.3 for parent), while NOK 0.1m (0.0 for parent) were for other services.

Note 10:
Depreciation, amortisation and impairment charges of tangible and intangible assets

NOKm	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Depreciation/amortisation				
Property and equipment (Note 22)				
Equipment	42	45	42	45
Buildings	36	39	36	37
Intangible assets (Note 21)				
Other intangible assets	86	73	81	70
Total	**164**	**157**	**159**	**152**
Impairment charges / Reversed impairment charges				
Property and equipment				
Equipment	0	0	0	0
Intangible assets				
Other intangible assets	39	3	38	3
Total	**39**	**3**	**38**	**3**
Total	**203**	**160**	**197**	**155**

Note 11:
Net loan losses

	Group		Parent company	
NOKm	2012	2011	2012	2011
Divided by class				
Loans to central banks and credit institutions	0	11	0	11
– of which provisions	0	-24	0	-24
– of which allowances to cover write-offs	0	22	0	22
– of which recoveries	0	13	0	13
Loans to the public	-950	-1,443	-825	-1,367
– of which provisions	-1,112	-1,752	-925	-1,629
– of which write-offs	-884	-2,345	-819	-2,242
– of which allowances to cover write-offs	691	2,101	644	2,034
– of which reversals	305	543	230	465
– of which recoveries	50	10	45	5
Off-balance sheet items[1]	-8	0	-8	0
– of which provisions	-26	-3	-26	-3
– of which reversals	18	3	18	3
Total	**-958**	**-1,432**	**-833**	**-1,356**
Specification				
Changes of allowance accounts in the balance sheet	-815	-1,209	-703	-1,164
– of which Loans, individually assessed[2]	-692	-1,465	-546	-1,436
– of which Loans, collectively assessed[2]	-115	256	-149	272
– of which Off-balance sheet items, individually assessed[1]	-8	0	-8	0
Changes directly recognised in the income statement	-143	-223	-130	-192
– of which realised loan losses, individually assessed	-193	-246	-175	-210
– of which realised recoveries, individually assessed	50	23	45	18
Total	**-958**	**-1,432**	**-833**	**-1,356**

[1] Included in Note 32 Provisions.

[2] Included in Note 13 Loans and impairment.

Key ratios

	Group		Parent	
	2012	2011	2012	2011
Loan loss ratio, basis points[1]	19	32	20	38
– of which individual	17	38	16	46
– of which collective	2	-6	4	-8

[1] Net loan losses (annualised) divided by opening balance of total lending.

Note 12:
Taxes

Income tax expense

	Group		Parent company	
NOKm	2012	2011	2012	2011
Current tax[1]	-1,648	-330	-1,379	-74
Deferred tax	-33	-904	37	-866
Total	**-1,681**	**-1,234**	**-1,342**	**-940**
[1] Of which relating to prior years (see below)	1	-9	0	-8

Tax has been charged as an expense in prior years on issues where tax treatment still remain unsettled, which cause deviation between the current tax expense and current tax in the balance sheet.

	Group		Parent company	
Current and deferred tax recognised in Other comprehensive income	2012	2011	2012	2011
Deferred tax relating to available-for-sale investments	-30	0	-30	0
Total	-30	0	-30	0

The tax on the Group's operating profit differs from the theoretical amount that would arise using the tax rate of Norway as follows:

	Group		Parent company	
NOKm	2012	2011	2012	2011
Profit before tax	6,084	4,581	4,763	3,492
Tax calculated at a tax rate of 28%	-1,704	-1,283	-1,333	-978
Effect of different tax rates in other countries	-2	-4	-2	-4
Income/loss from associated undertakings	34	53	0	0
Tax-exempt income	11	71	10	70
Non-deductible expenses	-21	-62	-17	-20
Adjustments relating to prior years	1	-9	0	-8
Tax charge	**-1,681**	**-1,234**	**-1,342**	**-940**
Average effective tax rate	27.6 %	26.9 %	28.2 %	26.9 %

Deferred tax

	Group		Parent company	
NOKm	2012	2011	2012	2011
Deferred tax expense (-)/income (+)				
Deferred tax due to temporary differences	-65	-904	8	-866
Income tax expense, net	**-65**	**-904**	**8**	**-866**

	Group			
	Deferred tax assets		Deferred tax liabilities	
NOKm	2012	2011	2012	2011
Deferred tax related to:				
Tax losses carry-forward		1,017		
Financial instruments and derivatives			210	1,231
Property, equipment and intangible assets		41	2	
Retirement benefit obligations	393	393		
Liabilities/provisions/other	25	49		
Netting between deferred tax assets and liabilities	-212	-1,231	-212	-1,231
Total	**206**	**269**	**0**	**0**

Note 12:
Taxes cont.

	Parent company			
	Deferred tax assets		Deferred tax liabilities	
NOKm	2012	2011	2012	2011
Deferred tax related to:				
Tax losses carry-forward		1,017		
Financial instruments and derivatives	131			978
Property, equipment and intangible assets		40	1	
Retirement benefit obligations	392	379		
Liabilities/provisions/other	14	70		
Netting between deferred tax assets and liabilities	-1	-978	-1	-978
Total	**536**	**528**	**0**	**0**

	Group		Parent company	
Movements in deferred tax assets/liabilities, net are as follows:	2012	2011	2012	2011
Deferred tax relating to items recognised in Other comprehensive income	-30		-30	
Deferred tax in the income statement	-33	904	37	-866
Amount at end of year (net)	**-63**	**904**	**7**	**-866**

Deferred income tax assets are recognised for tax loss carry forwards only to the extent that realisation of the related benefit is probable.

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.

Note 13:
Loans and impairment

Group	Central banks and credit institutions		The public[1]		Total	
	2012	2011	2012	2011	2012	2011
NOKm						
Loans, not impaired	17,798	26,943	453,326	462,388	471,124	489,331
Impaired loans	0	0	4,746	4,014	4,746	4,014
– Performing	0	0	1,308	1,469	1,308	1,469
– Non-performing	0	0	3,438	2,545	3,438	2,545
Loans before allowances	**17,798**	**26,943**	**458,072**	**466,402**	**475,870**	**493,345**
Allowances for individually assessed impaired loans	0	0	–1,677	–1,709	–1,677	–1,709
– Performing	0	0	–411	–420	–411	–420
– Non-performing	0	0	–1,266	–1,289	–1,266	–1,289
Allowances for collectively assessed impaired loans	0	0	–405	–290	–405	–290
Allowances	**0**	**0**	**–2,082**	**–1,999**	**–2,082**	**–1,999**
Loans, carrying amount	**17,798**	**26,943**	**455,990**	**464,403**	**473,788**	**491,346**

Parent company	Central banks and credit institutions		The public		Total	
NOKm	2012	2011	2012	2011	2012	2011
Loans, not impaired	55,519	56,552	321,808	357,836	377,327	414,388
Impaired loans	0	0	4,035	3,645	4,035	3,645
– Performing	0	0	1,217	1,361	1,217	1,361
– Non-performing	0	0	2,818	2,284	2,818	2,284
Loans before allowances	**55,519**	**56,552**	**325,843**	**361,481**	**381,362**	**418,033**
Allowances for individually assessed impaired loans	0	0	–1,419	–1,549	–1,419	–1,549
– Performing	0	0	–370	–387	–370	–387
– Non-performing	0	0	–1,049	–1,162	–1,049	–1,162
Allowances for collectively assessed impaired loans	0	0	–370	–221	–370	–221
Allowances	**0**	**0**	**–1,789**	**–1,770**	**–1,789**	**–1,770**
Loans, carrying amount	**55,519**	**56,552**	**324,054**	**359,710**	**379,573**	**416,262**

[1] Finance leases, where Nordea Bank Norge Group is a lessor, are included in Loans to the public, see Note 23 Leasing.

Note 13:

Loans and impairment cont.

Reconciliation of allowance accounts for impaired loans[1]

Group

NOKm	Central banks and credit institutions			The public			Total		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2012	**0**	**0**	**0**	**-1,709**	**-290**	**-1,999**	**-1,709**	**-290**	**-1,999**
Provisions	0	0	0	-928	-184	-1,112	-928	-184	-1,112
Reversals	0	0	0	236	69	305	236	69	305
Changes through the income statement	**0**	**0**	**0**	**-692**	**-115**	**-807**	**-692**	**-115**	**-807**
Allowances used to cover write-offs	0	0	0	691	0	691	691	0	691
Reclassification	0	0	0	0	0	0	0	0	0
Currency translation differences	0	0	0	33	0	33	33	0	33
Closing balance at 31 Dec 2012	**0**	**0**	**0**	**-1,677**	**-405**	**-2,082**	**-1,677**	**-405**	**-2,082**
Opening balance at 1 Jan 2011	**-22**	**0**	**-22**	**-2,296**	**-545**	**-2,841**	**-2,318**	**-545**	**-2,863**
Provisions	0	0	0	-1,666	-88	-1,754	-1,666	-88	-1,754
Reversals	0	0	0	200	344	544	200	344	544
Changes through the income statement	**0**	**0**	**0**	**-1,466**	**256**	**-1,210**	**-1,466**	**256**	**-1,210**
Allowances used to cover write-offs	22	0	22	2,101	0	2,101	2,123	0	2,123
Reclassification	0	0	0	-36	-1	-37	-36	-1	-37
Currency translation differences	0	0	0	-12	0	-12	-12	0	-12
Closing balance at 31 Dec 2011	**-0**	**0**	**-0**	**-1,709**	**-290**	**-1,999**	**-1,709**	**-290**	**-1,999**

Parent company

NOKm	Central banks and credit institutions			The public			Total		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2012	**0**	**0**	**0**	**-1,549**	**-221**	**-1,770**	**-1,549**	**-221**	**-1,770**
Provisions	0	0	0	-741	-184	-925	-741	-184	-925
Reversals	0	0	0	195	35	230	195	35	230
Changes through the income statement	**0**	**0**	**0**	**-546**	**-149**	**-695**	**-546**	**-149**	**-695**
Allowances used to cover write-offs	0	0	0	644	0	644	644	0	644
Reclassification	0	0	0	0	0	0	0	0	0
Currency translation differences	0	0	0	32	0	32	32	0	32
Closing balance at 31 Dec 2012	**0**	**0**	**0**	**-1,419**	**-370**	**-1,789**	**-1,419**	**-370**	**-1,789**
Opening balance at 1 Jan 2011	**-22**	**0**	**-22**	**-2,104**	**-492**	**-2,596**	**-2,126**	**-492**	**-2,618**
Provisions	0	0	0	-1,578	-51	-1,629	-1,578	-51	-1,629
Reversals	0	0	0	143	322	465	143	322	465
Changes through the income statement	**0**	**0**	**0**	**-1,435**	**271**	**-1,164**	**-1,435**	**271**	**-1,164**
Allowances used to cover write-offs	22	0	22	2,034	0	2,034	2,056	0	2,056
Reclassification	0	0	0	-32	0	-32	-32	0	-32
Currency translation differences	0	0	0	-12	0	-12	-12	0	-12
Closing balance at 31 Dec 2011	**0**	**0**	**0**	**-1,549**	**-221**	**-1,770**	**-1,549**	**-221**	**-1,770**

[1] See Note 11 Net loan losses.

Note 13:
Loans and impairment cont.

Allowances and provisions

Group	Central banks and credit institutions		The public		Total	
	2012	2011	2012	2011	2012	2011
NOKm						
Allowances for items in the balance sheet	0	0	–2,082	–1,999	–2,082	–1,999
Provisions for off balance sheet items	0	0	–17	–13	–17	–13
Total allowances and provisions	**0**	**0**	**–2,099**	**–2,012**	**–2,099**	**–2,012**
Parent company						
Allowances for items in the balance sheet	0	0	–1,789	–1,770	–1,789	–1,770
Provisions for off balance sheet items	0	0	–17	–13	–17	–13
Total allowances and provisions	**0**	**0**	**–1,806**	**–1,783**	**–1,806**	**–1,783**

Key ratios

	Total			
	Group		Parent	
	2012	2011	2012	2011
Impairment rate, gross[1], basis points	100	81	106	87
Impairment rate, net[2], basis points	64	47	69	50
Total allowance rate[3], basis points	44	41	47	42
Allowances in relation to impaired loans[4], %	35	43	35	43
Total allowances in relation to impaired loans[5], %	44	50	44	49
Non-performing loans, not impaired[6], NOKm	1,674	1,559	1,420	1,360

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

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

[3] Total allowances divided by total loans before allowances.

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

[5] Total allowances divided by total impaired loans before allowances.

[6] The comparative figures regarding non-performing, not impaired loans have been restated to ensure consistency between the periods.

Note 14:
Interest-bearing securities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Eligible as collateral with central banks				
Issued by State and sovereigns	24,554	23,288	24,554	23,288
Issued by Municipalities and other public bodies	39,366	24,680	39,366	24,680
Issued by other entities	65	1,000	65	1,000
Non eligible				
Issued by public bodies	24,748	22,221	24,748	22,221
Issued by other borrowers	2,469	4,402	23,679	25,181
Total	**91,202**	**75,591**	**112,412**	**96,370**
- of which Financial instruments pledged as collateral (Note 15)	-1,876	-534	-1,876	-534
Total	**89,326**	**75,057**	**110,536**	**95,836**
Listed and unlisted securities incl Financial instruments pledged as collateral				
Listed securities	90,201	73,563	90,201	73,563
Unlisted securities	1,001	2,028	22,211	22,807
Total	**91,202**	**75,591**	**112,412**	**96,370**

Note 15:
Financial instruments pledged as collateral

In repurchase transactions and in securities lending transactions, non-cash assets are transferred as collateral. When the counterpart receiving the collateral has the right to sell or repledge the assets, the assets are reclassified in the balance sheet to the item Financial instruments pledged as collateral.

	Group		Parent	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Interest-bearing securities	1,876	534	1,876	534
Shares	41	0	41	0
Total	**1,917**	**534**	**1,917**	**534**

For information on transferred assets, see Note 41 Transferred assets and obtained collaterals.

Note 16:
Shares

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Shares held for trading	464	1,565	464	1,565
Shares available for sale	70	80	70	80
of which shares taken over for protection of claims	0	0	0	0
Total	**534**	**1,645**	**534**	**1,645**
Listed and unlisted shares incl Financial instruments pledged as collateral				
Listed shares	403	1,497	403	1,497
Unlisted shares	131	148	131	148
Total	**534**	**1,645**	**534**	**1,645**
Of which Financial instruments pledged as collateral (Note 15)	-41	0	-41	0
Total	**493**	**1,645**	**493**	**1,645**
Of which expected to be settled after more than 1 year	70	80	70	80

Note 16:
Shares cont.

Specification of shares

31 Dec 2012	Group Book value NOKm	Group Market value NOKm	Group Voting power of holding, %	Parent company Book value NOKm	Parent company Market value NOKm	Parent company Voting power of holding, %
Current assets						
AGR Group	5	5	0.46	5	5	0.46
Aker Solutions	8	8	0.02	8	8	0.02
Algeta	2	2	0.03	2	2	0.03
Bulgaris Eiendom Invest AS Ord	6	6	11.83	6	6	11.83
Deep Sea Supply	16	16	1.26	16	16	1.26
Det norske oljeselskap	2	2	0.02	2	2	0.02
DNB	28	28	0.02	28	28	0.02
DNO International	7	7	0.07	7	7	0.07
Electromagnetic Geoservice	14	14	0.54	14	14	0.54
Euro-Clear Clearance System Ltd.	53	53	0.82	53	53	0.82
Fred. Olsen Energy	4	4	0.02	4	4	0.02
Gjensidige Forsikring	10	10	0.03	10	10	0.03
Marine Harvest	6	6	0.03	6	6	0.03
Norsk Hydro	13	13	0.02	13	13	0.02
Norske Skogindustrier	2	2	0.24	2	2	0.24
Northland Resources	2	2	0.05	2	2	0.05
Norway Pelagic	5	5	1.74	5	5	1.74
Norwegian Air Shuttle	2	2	0.03	2	2	0.03
Norwegian Energy Company	10	10	0.76	10	10	0.76
Orkla	16	16	0.03	16	16	0.03
Petroleum Geo-Services	9	9	0.04	9	9	0.04
Prosafe	4	4	0.04	4	4	0.04
Royal Caribbean Cruises	15	15	0.04	15	15	0.04
Schibsted	8	8	0.03	8	8	0.03
Seadrill	18	18	0.02	18	18	0.02
Siem Offshore	42	42	1.40	42	42	1.40
Songa Offshore	1	1	0.08	1	1	0.08
Statoil	64	64	0.01	64	64	0.01
Storebrand	4	4	0.04	4	4	0.04
Subsea 7	21	21	0.05	21	21	0.05
Telenor	36	36	0.02	36	36	0.02
TGS-NOPEC Geophysical Com	8	8	0.04	8	8	0.04
Yara International	19	19	0.02	19	19	0.02
Other shares	4	4		4	4	
Total	464	464		464	464	
Of which pledged as collateral (Note 15)	41	41		41	41	
Total	**423**	**423**		**423**	**423**	

Note 16:
Shares cont.

31 Dec 2012	Norwegian Registration Number	Group Book value NOKm	Group Market value NOKm	Group Voting power of holding, %	Parent company Book value NOKm	Parent company Market value NOKm	Parent company Voting power of holding, %
Non-current assets							
Borea Oppurtunity II AS	989652036	9	9	1.78	9	9	1.78
Bølgen Invest AS	986606890	1	1	2.47	1	1	2.47
Eiendomsverdi AS	881971682	15	15	18.00	15	15	18.00
Fish Pool AS	982985110	2	2	5.04	2	2	5.04
KapNord Fond AS	989533800	2	2	2.55	2	2	2.55
Møre og Romsdal Såkornfond AS	991173110	3	3	5.43	3	3	5.43
Nordito Property AS	995400073	26	26	10.80	26	26	10.80
Norsk Tillitsmann AS	963342624	1	1	10.41	1	1	10.41
P-Hus Vekst AS	979338333	1	1	5.26	1	1	5.26
ProVenture Seed AS	989765248	2	2	2.98	2	2	2.98
Rullebaneutvidelse AS	892360022	1	1	1.39	1	1	1.39
SWIFT		1	1	-	1	1	-
Saltens Bilruter A/S	915637620	2	2	2.43	2	2	2.43
Solnør Gaard Golfbane AS	962393381	1	1	0.04	1	1	0.04
Sunnmøre Golf AS	983020895	1	1	-	1	1	-
Ålesund Stadion	986890904	1	1	0.98	1	1	0.98
Other non-current shares		1	1		1	1	
Total		**70**	**70**		**70**	**70**	

Note 17:
Derivatives and hedge accounting

	Group			Parent company		
	Fair value		Total nom	Fair value		Total nom
31 Dec 2012, NOKm	Positive	Negative	amount	Positive	Negative	amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	135	301	163,424	137	364	190,024
FRAs	57	74	27,000	57	74	27,000
Futures and forwards	0	0	0	0	0	0
Other	2	2	87	2	2	87
Total	**194**	**377**	**190,511**	**196**	**440**	**217,111**
Equity derivatives						
Equity swaps	1	1	62	1	1	62
Futures and forwards	5	1	72	5	1	72
Options	1	1	262	1	1	262
Total	**7**	**3**	**396**	**7**	**3**	**396**
Foreign exchange derivatives						
Currency forwards	48	348	122,645	48	348	122,645
Total	**48**	**348**	**122,645**	**48**	**348**	**122,645**
Total derivatives held for trading	**249**	**728**	**313,552**	**251**	**791**	**340,152**
Derivatives used for hedge accounting						
Interest rate derivatives						
Interest rate swaps	1,203	1,284	91,836	1,462	2,161	141,201
Total	**1,203**	**1,284**	**91,836**	**1,462**	**2,161**	**141,201**
Foreign exchange derivatives						
Currency and interest rate swaps	14	63	18,430	77	77	25,114
Total	**14**	**63**	**18,430**	**77**	**77**	**25,114**
Total derivatives used for hedge accounting	**1,217**	**1,347**	**110,266**	**1,539**	**2,238**	**166,315**
Total derivatives	**1,466**	**2,075**	**423,818**	**1,790**	**3,029**	**506,467**

Note 17:
Derivatives and hedge accounting cont.

	Group			Parent company		
	Fair value		Total nom	Fair value		Total nom
31 Dec 2011, NOKm	Positive	Negative	amount	Positive	Negative	amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	172	523	116,671	172	540	120,671
FRAs	110	139	68,000	110	139	68,000
Futures and forwards	0	0	17,077	0	0	17,077
Other	2	2	120	2	2	120
Total	**284**	**664**	**201,868**	**284**	**681**	**205,868**
Equity derivatives						
Equity swaps	15	5	88	15	5	88
Futures and forwards	49	5	1,388	49	5	1,388
Options	10	3	303	10	3	303
Total	**74**	**13**	**1,779**	**74**	**13**	**1,779**
Foreign exchange derivatives						
Currency forwards	3,741	256	143,294	3,741	256	143,294
Total	**3,741**	**256**	**143,294**	**3,741**	**256**	**143,294**
Other derivatives						
Options	15	15	200	15	15	200
Total	**15**	**15**	**200**	**15**	**15**	**200**
Total derivatives held for trading	**4,114**	**948**	**347,141**	**4,114**	**965**	**351,141**
Derivatives used for hedge accounting						
Interest rate derivatives						
Interest rate swaps	462	1,057	42,929	703	1,118	72,294
Total	**462**	**1,057**	**42,929**	**703**	**1,118**	**72,294**
Foreign exchange derivatives						
Currency and interest rate swaps	1,227	0	16,759	1,227	1,227	33,518
Total	**1,227**	**0**	**16,759**	**1,227**	**1,227**	**33,518**
Total derivatives used for hedge accounting	**1,689**	**1,057**	**59,688**	**1,930**	**2,345**	**105,812**
Total derivatives	**5,803**	**2,005**	**406,829**	**6,044**	**3,310**	**456,953**

Note 18:

Fair value changes of the hedged items in portfolio hedge of interest rate risk

Assets	Group		Parent	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Carrying amount at beginning of year	658	485	232	127
Changes during the year				
Revaluation of hedged items	106	173	179	105
Carrying amount at end of year	**764**	**658**	**411**	**232**

Liabilities	Group		Parent	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Carrying amount at beginning of year	618	17	0	17
Changes during the year				
Revaluation of hedged items	505	601	2	–17
Carrying amount at end of year	**1,123**	**618**	**2**	**0**

The carrying amount at end of year represents accumulated changes in the fair value for those repricing time periods in which the hedged item is an asset respectively a liability. When the hedged item is an asset, the change in the fair value of the hedged item is presented within assets and when the hedged item is a liability, the change is presented as a liability.

Note 19:

Investments in group undertakings

Parent company	31 Dec	31 Dec
NOKm	2012	2011
Acquisition value at beginning of year	2,845	2,834
Investment during the year[1]	1,801	11
Acquisition value at end of year	**4,646**	**2,845**

[1] Kilden 8 Næringseiendom AS aquired in 2011. Further, increased ownership in Privatmegleren AS as well as increased share capital in 2012 in Nordea Finans AS and Nordea Eiendomskreditt AS.

Of which, listed shares	0	0

The total amount is expected to be settled after more than twelve months.

Specification

The specification shows the parent company's group undertakings. The full specification and statutory information are available on request from Nordea Investor Relations.

Parent company

		Book value NOKm				
	Number of shares	31 Dec 2012	31 Dec 2011	Voting power of holding %	Domicile	Registration number
Nordea Eiendomskreditt AS	15,336,269	4,233	2,633	100.0	Oslo	971 227 222
Nordea Finans Norge AS	63,000	293	143	100.0	Oslo	924 507 500
Nordea Essendropsgate Eiendomsforvaltning AS	7,500	1	1	100.0	Oslo	986 610 472
First Card AS[1]	200	0	0	100.0	Oslo	963 215 371
Privatmegleren AS	12,000,000	108	57	100.0	Oslo	986 386 661
M-Invest AS	1,000	0	0	100.0	Oslo	988 823 511
Kilden 8 Næringseiendom AS	1,000	11	11	100.0	Oslo	997 515 692
Total		**4,646**	**2,845**			

[1] Dormant company

Note 20:
Investments in associated undertakings

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Acquisition value at beginning of year	1,277	1,199	417	417
Share in earnings [1]	136	194	0	0
Dividend received	0	–116	0	0
Acquisition value at end of year	**1,413**	**1,277**	**417**	**417**

1) Nordea has chosen to use our own valuation model based on observable information in the market to estimate the credit spread effects related to the valuation of Eksportfinans' own debt. The model supports our position given in the press release of 22.Nov. 2011, and provides for an adjustment to reduce Nordea's share of Eksportfinans' reported net result by NOK 4,263m.

NBN's share of the associated undertakings' aggregated balance sheets and income statements can be summarised as follows:

	31 Dec	31 Dec
NOKm	2012	2011
Total assets	38,878	49,752
Total liabilities	34,187	41,694
Operating income	2,084	339
Operating profit	197	266

Nordeas' share of contingent liabilities in associated undertakings amounts to NOK 17m (32).

			Book value NOKm		Voting power of holding %	
	Registration		31 Dec	31 Dec	31 Dec	31 Dec
	number	Domicile	2012	2011	2012	2011
Eksportfinans ASA	816 521 432	Oslo	1,403	1,270	23.21	23.21
NF Fleet AS	988 906 808	Oslo	10	7	20.00	20.00
Relacom	556 746 3103	Stockholm	0	0	47.91	47.91
Total			**1,413**	**1,277**		

The statutory information is available on request from Nordea Investor Relations.

Note 21:
Intangible assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Goodwill[1]	41	41	0	0
Internally developed software	157	280	157	280
Other intangible assets	213	140	201	128
Total	**411**	**461**	**358**	**408**

Goodwill[1]				
Acquisition value at beginning of year	48	48	0	0
Acquisitions during the year	0	0	0	0
Acquisition value at end of year	**48**	**48**	**0**	**0**
Accumulated impairment charges at beginning of year	-7	-7	0	0
Impairment charges during the year[2]	0	0	0	0
Accumulated impairment charges at end of year	**-7**	**-7**	**0**	**0**
Total	**41**	**41**	**0**	**0**

Internally developed software				
Acquisition value at beginning of year	298	247	298	247
Acquisitions during the year	61	99	61	99
Reclassifications	-150	-48	-150	-48
Acquisition value at end of year	**209**	**298**	**209**	**298**
Accumulated impairment charges at beginning of year	-18	-18	-18	-18
Impairment charges during the year	-34	0	-34	0
Accumulated impairment charges at end of year	**-52**	**-18**	**-52**	**-18**
Total	**157**	**280**	**157**	**280**

Other intangible assets				
Acquisition value at beginning of year	390	335	362	315
Acquisitions during the year	9	13	4	5
Sales/disposals during the year	0	-6	0	-6
Reclassifications	150	48	150	48
Acquisition value at end of year	**549**	**390**	**516**	**362**
Accumulated amortisation at beginning of year	-250	-182	-234	-170
Amortisation according to plan for the year	-86	-73	-81	-70
Accumulated amortisation on sales/disposals during the year	0	5	0	6
Reclassifications	0	0	0	0
Accumulated amortisation at end of year	**-336**	**-250**	**-315**	**-234**
Total	**213**	**140**	**201**	**128**

The total amount is expected to be recovered after more than 1 year.

[1] Excluding goodwill in associated undertakings.

[2] Impairment charges of goodwill. Goodwill is in connection with the acquisition of Privatmegleren AS (100% ownership). The assessment of goodwill for 2012 has been performed in accordance with International Financial Reporting Standards (IFRS), and no correction has been necessary.

Note 22:
Property and equipment

NOKm	Group 31 Dec 2012	Group 31 Dec 2011	Parent company 31 Dec 2012	Parent company 31 Dec 2011
Property and equipment	298	303	297	301
Of which buildings for own use	147	138	147	138
Total	**298**	**303**	**297**	**301**

Taken over for protection of claims				
Land and buildings	0	1	0	1
Total	**0**	**1**	**0**	**1**

Equipment				
Acquisition value at beginning of year	671	679	667	674
Acquisitions during the year	33	53	33	52
Sales/disposals during the year	–57	–64	–55	–62
Reclassifications	0	3	0	3
Acquisition value at end of year	**647**	**671**	**645**	**667**
Accumulated depreciation at beginning of year	–503	–519	–501	–516
Accumulated depreciation on sales/disposals during the year	53	61	52	60
Depreciations according to plan for the year	–42	–45	–42	–45
Accumulated depreciation at end of year	**–492**	**–503**	**–491**	**–501**
Accumulated impairment charges at beginning of year	–4	–4	–4	–4
Impairment charges during the year	0	0	0	0
Accumulated impairment charges at end of year	**–4**	**–4**	**–4**	**–4**
Total	**151**	**164**	**150**	**162**

Land and buildings				
Acquisition value at beginning of year	238	204	236	202
Acquisitions during the year	47	45	47	45
Sales/disposals during the year	–6	–11	–6	–11
Acquisition value at end of year	**279**	**238**	**277**	**236**
Accumulated depreciation at beginning of year	–100	–69	–98	–69
Accumulated depreciation on sales/disposals during the year	4	9	4	9
Depreciation according to plan for the year	–36	–39	–36	–37
Reclassifications	0	–1	0	–1
Accumulated depreciation at end of year	**–132**	**–100**	**–130**	**–98**
Total	**147**	**138**	**147**	**138**

The total amount is expected to be settled after more than 1 year.

Note 23:
Leasing

Nordea as a lessor

Finance leases

Nordea owns assets leased to customers under finance lease agreements. Finance lease agreements are reported as receivables from the lessee included in Loans to the public (see Note 13 Loans and impairment) at an amount equal to the net investment in the lease. The leased assets mainly comprise vehicles, machinery and other equipment.

Reconciliation of gross investments and present value of future minimum lease payments:

	Group	
	31 Dec	31 Dec
NOKm	2012	2011
Gross investments	10,880	9,225
Less unearned finance income	–144	–140
Net investments in finance leases	**10,736**	**9,085**
Less unguaranteed residual values accruing to the benefit of the lessor	0	0
Present value of future minimum lease payments receivable	**10,736**	**9,085**
Accumulated allowance for uncollectible minimum lease payments receivable	0	0

As of 31 December 2012 the gross investment and the net investment by remaining maturity was distributed as follows:

	Group		Group	
	31 Dec	31 Dec	31 Dec	31 Dec
	2012	2012	2011	2011
NOKm	Gross investment	Net investment	Gross investment	Net investment
2012	NA	NA	3,873	3,814
2013	3,730	3,681	2,671	2,631
2014	2,860	2,823	1,305	1,285
2015	2,359	2,328	761	749
2016	992	979	403	397
2017	543	535	NA	NA
Later years	396	390	212	209
Total	**10,880**	**10,736**	**9,225**	**9,085**
Less unearned future finance income on finance leases	–144	0	0	0
Investment in finance leases	**10,736**	**10,736**	**9,225**	**9,085**

NA (not applicable)

Nordea as a lessee

Operating leases

Nordea has entered into operating lease agreements for premises and office equipment.

	Group	
Leasing expenses during the year, NOKm	2012	2011
Leasing expenses during the year	246	271
Of which		
– minimum lease payments	244	271
– contingent rents	2	0
Leasing income during the year regarding sublease payments	0	0

Future minimum lease payments under non-cancellable operating leases amounted to and are distributed as follows:

	Group	Parent company	Group	Parent company
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2012	2011	2011
2012	NA	NA	178	229
2013	168	221	163	215
2014	127	181	66	120
2015	117	173	50	106
2016	58	115	37	94
2017	41	100	NA	NA
Later years	128	2,095	125	2,151
Total	**639**	**2,885**	**619**	**2,915**

NA (not applicable)

Note 24:
Investment property

This note is only presented on group level since the parent company's figures are equal to the group's figures.

Movement in the balance sheet

NOKm	31 Dec 2012	31 Dec 2011
Carrying amount at beginning of year	0	0
Acquisitions during the year	132	0
Sales/disposals during the year	0	0
Net result from fair value adjustments	0	0
Carrying amount at end of year	**132**	**0**
– of which expected to be settled after more than 1 year	105	0

Amounts recognised in the income statement[1]

NOKm	2012	2011
Rental income	7	0
Direct operating expenses that generate rental income	2	0
Direct operating expenses that did not generate rental income	2	0

[1] Together with fair value adjustments included in Net result from items at fair value.

The method applied when calculating fair value is a rate of return calculation, based on internal models. As a supplement to these values, appraisals were obtained from external valuer for parts of the investment properties.

All the properties are located in Norway. The main part relates to a combined office and service property with a yield requirement of 7%.

Note 25:
Other assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Claims on securities settlement proceeds	4,145	3,465	4,145	3,465
Other	546	423	512	289
Total	**4,691**	**3,888**	**4,657**	**3,754**

The total amount mentioned above is expected to be settled within 1 year.

Note 26:
Prepaid expenses and accrued income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Accrued interest income	2,242	1,881	2,073	1,748
Other accrued income	7	86	7	86
Prepaid expenses	702	806	63	81
Total	**2,951**	**2,773**	**2,143**	**1,915**

The total amount mentioned above is expected to be settled within 1 year.

Note 27:
Deposits by credit institutions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Central banks	21,497	35,709	21,497	35,709
Other banks	206,218	197,361	206,218	197,361
Other credit institutions	1,282	6,400	1,287	6,424
Total	**228,997**	**239,470**	**229,002**	**239,494**

Note 28:
Deposits and borrowings from the public

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Deposits from the public	218,752	223,195	218,772	223,178
Borrowings from the public	200	0	200	0
Total	**218,952**	**223,195**	**218,972**	**223,178**

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee, but also including amounts in excess of the individual amount limits.

Note 29:
Debt securities in issue

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Bond loans	65,793	51,471	2,000	2,505
Total	**65,793**	**51,471**	**2,000**	**2,505**

Note 30:
Other liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Liabilities on securities settlement proceeds	11,527	24,582	11,527	24,582
Sold, not held, securities	2,287	1,606	2,287	1,606
Accounts payable	87	104	72	90
Other	1,003	2,291	1,074	2,375
Total	**14,904**	**28,583**	**14,960**	**28,653**

The total amount mentioned above is expected to be settled within 1 year.

Note 31:
Accrued expenses and prepaid income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Accrued interest	972	881	573	537
Other accrued expenses	858	762	805	721
Prepaid income	682	725	10	1
Total	**2,512**	**2,368**	**1,388**	**1,259**

The total amount mentioned above is expected to be settled within 1 year.

Note 32:
Provisions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Reserve for restructuring costs	72	181	69	181
Individually assessed, guarantees and other commitments	16	13	17	13
Other	229	318	219	305
Total	**317**	**512**	**305**	**499**

Movement in the balance sheet:

Group	Restructuring	Off-balance sheet	Other	Total
At beginning of year	181	13	318	512
New provisions made	36	21	0	56
Provisions utilised	-102	-4	0	-106
Reversals	-45	-14	-89	-147
Reclassifications	2	0	0	2
At end of year	**72**	**16**	**229**	**317**

NOK 164m is expected to be settled within 1 year.

Parent company	Restructuring	Off-balance sheet	Other	Total
At beginning of year	181	13	305	499
New provisions made	33	21	0	55
Provisions utilised	-102	-4	0	-106
Reversals	-45	-13	-86	-145
Reclassifications	2	0	0	2
At end of year	**69**	**17**	**219**	**305**

NOK 159m is expected to be settled within 1 year.

Provisions for restructuring costs amounts to NOK 72m and covers termination benefits (NOK 30m) and other provisions mainly related to redundant premises (NOK 42m). The restructuring activities have mainly been launched to reach the anticipated cost efficiency and profitability, and as a part of this Nordea plans to reduce the number of employees, partly through close down of branches. The majority of the provision is expected to be used during 2013. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed.

Loan loss provisions for individually assessed off-balance sheet items (i.e. Guarantees and L/C's) amounted to NOK 16m.

Other provisions refers to the following: Provisions for premiums in Define Contribution Plans NOK 229m (NOK 76m expected to be settled 2013). See Note 33 Retirement benefit obligations for further information.

Note 33:
Retirement benefit obligations

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Pension plans	1,204	1,087	1,166	1,048
Total	**1,204**	**1,087**	**1,166**	**1,048**

Pension plans

Nordea Bank Norge is obliged to have an occupational pension scheme under the Mandatory Occupational Pension Plan Act. The group's pension schemes meet the demands required by this act. The group's defined benefit pension plans are covered through Nordea Norge Pensjonskasse (pension fund), which is managed by Gabler AS. The group also has pension commitments that are not covered by the pension fund. These relate to early retirement pensions and supplementary pensions. The defined benefit plans (DBP) are closed to 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. NBN is also a member of Fellesordningen for AFP (Avtalefestet Pensjon) established with effect from 2011, see below. DCPs are not reflected on the balance sheet, unless when earned pensions rights have not been paid for.

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer DBP plan that cannot be calculated as a DBP by year end 2012, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the new AFP plan has to be accounted for as a DCP in accordance with IAS 19. The premium rate to Fellesordningen is 1.75% in 2012, and the rate is expected to increase in the future. The employees covered by the new AFP plan had already rendered services to Nordea qualifying for pension up until the closing of the old AFP plan. Nordea Group therefore recognised a provision in 2010 for defined contributions payable to the new AFP plan related to pension rights already earned. NOK 78m for the group and NOK 75m for the parent company (NOK 89m including social charges for group, NOK 86m for the parent company) of the provision has been reversed in 2012.

Defined benefit plans

IAS 19 secures that the market based value of pension obligations net of assets backing these obligations will be reflected in the group's balance sheet. The major plans are funded schemes covered by assets in Nordea Norge Pensjonskasse. Unfunded early retirement pensions and supplementary pensions are recognised directly on the balance sheet as a liability. Actuarial gains/losses arising from changed assumptions or deviation between expected and actual return on assets are not recognised in the balance sheet at once, but are recognised over a fixed period of 10 years if they in total exceeded 10% of gross pension liabilities or assets in the previous reporting period.

IAS 19 pension calculations and assumptions

Calculations on all plans are performed by external liability calculators and are based on the actuarial assumptions fixed for NBN Group's pension plans.

Assumptions	2012	2011
Discount rate[1]	4.0 %	3.0 %
Salary increase	3.0 %	3.0 %
Inflation	2.0 %	2.0 %
Expected return on assets before taxes	4.0 %	4.0 %
Expected adjustments of current pensions	2.5 %	2.5 %
Expected adjustments of basic Social Security	4.0 %	4.0 %

[1] As further described in Note 1 Accounting Policies, section 20 Employee benefits, the discount rate is as from 2012 determined with reference to covered bonds. If government bond yields were to be used the discount rate would be approximately 1 percentage point lower. For effects from this change see the sensitivity analysis described below.

The expected return on assets is based on long-term expectations for return on the different asset classes. On bonds, this is linked to the discount rate while equities and real estate have an added risk premium.

The discount rate has the most significant impact on the obligation and pension cost. If the discount rate is reduced, the pension obligation will increase and vice versa. A one percentage point increase in the discount rate would lead to a decrease in pension obligation of 10% and in service cost of 13%. A one percentage point reduction in the discount rate would lead to an increase in pension obligation of 13% and in service cost of 17%.

Asset composition

The combined return on assets in 2012 was 3.7% (2.6%) for the group and 3.9%(2.5%) for the parent company mainly driven by the development in government bond holdings. At the end of the year, the equity exposure in the pension fund represented 22% (17%) of total assets.

Asset composition in funded schemes

	2012	2011
Equity	22%	17%
Bonds and deposits	61%	65%
Real estate	15%	17%
– of which Nordea real estate	0%	0%
Other plan assets	2%	1%

Note 33:

Retirement benefit obligations cont.

Amounts recognised in the balance sheet at 31 December

	Group		Parent company	
NOKm	2012	2011	2012	2011
Pension Benefit Obligation (PBO)	6,209	7,096	6,097	6,971
Plan assets	4,593	4,617	4,516	4,543
Total surplus/deficit (-)	**-1,616**	**-2,479**	**-1,581**	**-2,428**
of which unrecognised actuarial gains(-)/losses	412	1,392	415	1,380
Of which recognised in the balance balance sheet	**1,204**	**1,087**	**1,166**	**1,048**
Of which				
retirement benefit obligations	1,204	1,087	1,166	1,048
related to unfunded plans (PBO)	1,031	1,078	1,015	1,063

Overview of surplus or deficit in the plans

Group	Total	Total	Total	Total	Total
NOKm	2012	2011	2010	2009	2008
PBO	6,209	7,096	6,757	6,748	6,458
Plan Assets	4,593	4,617	4,506	4,109	3,732
Surplus/deficit(-)	**-1,616**	**-2,479**	**-2,251**	**-2,639**	**-2,726**

Overview of surplus or deficit in the plans

Parent company	Total	Total	Total	Total	Total
NOKm	2012	2011	2010	2009	2008
PBO	6,097	6,971	6,628	6,543	6,271
Plan Assets	4,516	4,543	4,432	4,005	3,640
Surplus/deficit(-)	**-1,581**	**-2,428**	**-2,196**	**-2,538**	**-2,631**

Changes in the PBO

	Group		Parent company	
NOKm	2012	2011	2012	2011
PBO at 1 Jan	7,096	6,757	6,971	6,628
Service cost	153	172	145	164
Interest cost	200	254	197	250
Pensions paid	-295	-366	-294	-359
Curtailments and settlements	-119	-124	-119	-117
Past service cost [1]	63	137	63	137
Actuarial gains(-)/losses	-903	287	-879	292
Change in provision for Social Security Contribution [2]	14	-21	13	-24
PBO at 31 Dec	**6,209**	**7,096**	**6,097**	**6,971**

[1] Provision for early retirement pensions and supplementary pensions related to restructuring.

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

Changes in the fair value of plan assets

	Group		Parent company	
NOKm	2012	2011	2012	2011
Assets at 1 Jan	4,617	4,506	4,543	4,432
Expected return on assets	184	224	180	221
Pensions paid	-151	-366	-151	-359
Contributions	70	434	62	428
Curtailments and settlements	-116	-74	-116	-70
Actuarial gains/losses(-)	-11	-107	-2	-109
Plan assets at 31 Dec	**4,593**	**4,617**	**4,516**	**4,543**
Actual return on plan assets	**173**	**117**	**178**	**112**

Note 33:

Retirement benefit obligations cont.

Overview of actuarial gains/losses

Group NOKm	Total 2012	Total 2011	Total 2010	Total 2009	Total 2008
Actuarial gains/losses at 1 Jan	1,392	1,052	789	947	35
Effect of changes in actuarial and financial assumptions incl experience adjustments [1]	-892	380	277	-125	910
Of which:					
– on plan assets [2]	11	107	-94	-80	327
– on plan liabilities [3]	-903	287	566	-45	583
– curtailments and settlements	0	-14	-195	0	0
Amortized	-88	-40	-14	-33	2
Actuarial gains/losses at 31 Dec	**412**	**1,392**	**1,052**	**789**	**947**

[1] Main impact from change in discount rate

[2] Of which experience adjustments NOK 11m in 2012 and 107m in 2011

[3] Of which experience adjustments NOK 66m in 2012 and 9m in 2011

Defined benefit pension cost

The total net pension cost related to DBPs recognised in the Group's income statement for the year is NOK 361m including social charges. The DBP costs are somewhat higher than estimated in the beginning of the year, mainly due to early retirement pensions and supplementary pensions related to restructuring. Total pension costs comprise of DBP costs as well as costs related to DCP arrangements. (See specification in Note 8 Staff Costs.)

Recognised net defined benefit cost

	Group		Parent company	
NOKm	2012	2011	2012	2011
Service cost	153	172	145	164
Interest cost	200	254	197	250
Expected return on assets	-184	-224	-180	-221
Recognised past service cost [1]	63	129	63	129
Curtailments and settlements	-3	-35	-3	-33
Recognised past actuarial gains(-)/losses [2]	88	40	88	38
Net cost	**317**	**336**	**310**	**327**
Accrued Social Security Contribution	44	46	41	44
Pension cost on defined benefit plans	**361**	**382**	**351**	**371**

[1] Provision for early retirement pensions and supplementary pensions related to restructuring.

[2] Includes recognised actuarial losses of 19m related to settlements (group and parent company).

The net defined benefit costs for NBN Group is expected to decrease in 2013 mainly due to reduction in early retirement pensions and supplementary pensions. The Group expects to contribute NOK 259m (excl. SSC) to the defined benefit plans in 2013 (NOK 250m for the parent company).

Note 34:
Subordinated liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Dated subordinated debenture loans	1,950	3,259	1,950	3,259
Undated subordinated debenture loans	1,114	1,198	1,114	1,198
Hybrid capital loans	4,815	4,937	4,815	4,937
Total	**7,879**	**9,394**	**7,879**	**9,394**

These debenture loans are subordinated to other liabilities. Dated debenture loans entitle the lender to payment before undated subordinated loans. Within each respective category, the loans entitle lenders to equal payment rights. Redemption of loans before maturity have to be approved by the FSA.

The interest expense on subordinated loans were NOK 473m (193) in 2012.

Subordinated loan capital denominated in foreign currencies forms a part of the Bank's foreign exchange position and therefore, there is no direct foreign exchange risk related to subordinated loans, due to the inherent economic hedge of holding assets on the balance sheet denominated in the same currency.

The terms for all subordinated loans as at 31 December 2012 are specified below.

Issued by	Year of issue / maturity	Nominal value	Book value NOKm	Interest rate (coupon)
Nordea Bank Norge ASA	1986 – Undated[1]	USD 200	1,114	Libor 6 month + 18.75 basis points
Nordea Bank Norge ASA	2008 – Undated[2]	USD 290	1,615	Libor 3 month + 450 basis points
Nordea Bank Norge ASA	2010 – 2020[3]	USD 350	1,950	Libor 3 month + 140 basis points
Nordea Bank Norge ASA	2011 – 2016[3]	NOK 3,200	3,200	Nibor 3 month + 758 basis points
			7,879	

[1] Can be called on each interest payment date.

[2] Call date 10 years from issuance date. Spread increase by 100 basis points if not called.

[3] Call date 5 years from issuance date and every interest payment date there after.

Note 35:
Assets pledged as security for own liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Assets pledged for own liabilities				
Securities etc[1]	44,856	48,709	62,683	68,709
Loans to the public (Covered bonds)	106,657	84,222	0	0
Total	**151,513**	**132,931**	**62,683**	**68,709**
The above pledges pertain to the following liabilities				
Deposits by credit institutions	39,477	53,204	39,477	53,204
Deposits and borrowings from the public	21,285	13,990	21,285	13,990
Derivatives	3	13	3	13
Debt securities in issue	63,793	48,967	0	0
Total	**124,558**	**116,174**	**60,765**	**67,207**

[1] Relates only to securities recognised in the balance sheet. Securities borrowed or bought under repurchase agreements are not recognised in the balance sheet and thus not included in the amount. Such transactions are disclosed in Note 41 Transferred assets and obtained collaterals.

Assets pledged for own liabilities contains securities pledged as security in repurchase agreement and in securities lending. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months. Assets pledged related to clearing contains securities pledged for securities trading and clearing in NOS. Securities are also pledged for short-term loans with the Central Bank of Norway. Assets pledged related to loans to the public are mortgage loans that have been registered as collateral for issued covered bonds. These transactions are long-term with maturity 2-5 years. (See Note 45 Covered bonds for more information about covered bonds).

Note 36:
Contingent liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Guarantees				
Loan guarantees	1,788	1,689	5,605	5,396
Other guarantees	12	13	12	13
Other contingent liabilities	1	1	1	1
Total	**1,801**	**1,703**	**5,618**	**5,410**
Of which counter-guaranteed by:				
Other banks	0	0	0	0
Other credit institutions	0	0	0	0

In the normal business of Nordea, the bank issues various forms of guarantees in favour of the banks customers. Loan guarantees are given for customers to guarantee obligations in other credit- and pension institutions. Other guarantees consist mainly of commercial guarantees such as bid guarantees, advance payment guarantees, warranty guarantees and export related guarantees. As part of the rationalisation process within Nordea all documentary credits are from 2006 recorded in a common system with Nordea Bank Finland as counterpart. NBN therefore no longer has commitments regarding documentary credits. This will also apply to new guarantees, while guarantees already entered into with NBN as counterpart mainly will run until maturity. Guarantees are considered as off-balance sheet items, unless there is a need for a provision to cover a probable loss.

A limited number of employees are entitled to severance pay if they are dismissed before reaching their normal retirement age. For further disclosure, see Note 8 Staff costs.

Legal proceedings

Within the framework of the normal business operations, the Group faces claims in civil lawsuits and other disputes, most of which involve relatively limited amounts. None of these disputes is considered likely to have any significant adverse effect on the Group or its financial position.

Note 37:
Commitments[1]

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Credit commitments excluding derivatives[2]	**102,481**	**107,592**	**110,824**	**164,127**

[1] This note has been restated to align with group presentation.

[2] Including unutilised portion of approved overdraft facilities of NOK 27,269m (42,135).

For further information see Note 17 Derivatives and Hedge accounting and about reverse repos, see Note 41 Transferred assets and obtained collaterals

Note 38:
Capital adequacy

Calculation of total capital base

	Group		Parent	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Equity	36,172	30,412	31,526	26,693
Proposed/actual dividend	0	-1,600	0	-1,600
Hybrid capital loans	4,815	4,937	4,815	4,937
Deferred tax assets	-206	-269	-536	-528
Intangible assets	-1,143	-1,285	-358	-408
IRB provisions excess (+)/shortfall (-)[1]	-1,048	-954	-965	-909
Deduction for investments in credit institutions (50%)	-1	-1	-1	0
Other items, net	0	-1	0	0
Tier 1 capital (net after deduction)	**38,589**	**31,239**	**34,481**	**28,185**
Tier 2 capital	**3,230**	**4,732**	**3,140**	**4,457**
- of which perpetual subordinated loans	1,114	1,306	1,114	1,198
IRB provisions excess (+)/shortfall (-)[1]	-1,048	-954	-965	-909
Deduction for investments in credit institutions (50%)	-1	-1	-1	-1
Total capital base	**40,771**	**35,016**	**36,656**	**31,732**

[1] A shortfall exists if expected loss calculated in accordance with the capital requirement regulations using the IRB method exceeds write-downs according to the lending regulations for the same engagements. According to Basel II, a deduction shall be made both in Tier 1 and Total capital relating to the shortfall.

Capital requirements and RWA

NOKm, 31 Dec 2012	Group		Parent company	
	Capital requirement	Basel II RWA	Capital requirement	Basel II RWA
Credit risk	**16,664**	**208,297**	**16,643**	**208,038**
IRB foundation	15,177	189,716	13,742	171,773
- of which corporate	12,413	155,166	11,924	149,051
- of which institutions	442	5,523	442	5,522
- of which retail	2,201	27,520	1,316	16,449
- of which retail SME	127	1,589	127	1,589
- of which retail real estate	1,473	18,417	667	8,333
- of which retail other	601	7,514	522	6,527
- of which other	121	1,507	60	751
Standardised	1,487	18,581	2,901	36,265
- of which sovereign	30	372	27	339
- of which retail	498	6,226	0	0
- of which other corporate and institutions	959	11,983	2,874	35,926
Market risk	**172**	**2,153**	**143**	**1,788**
- of which trading book, Internal Approch	59	735	59	735
- of which trading book, Standardised Approach	113	1,418	84	1,053
Operational risk	**1,690**	**21,125**	**1,533**	**19,157**
Standardised	1,690	21,125	1,533	19,157
Sub total	**18,526**	**231,575**	**18,319**	**228,983**
Adjustment for transition rules				
Additional capital requirement according to transition rules	6,625	82,815	3,234	40,428
Total	**25,151**	**314,390**	**21,553**	**269,411**

Note 38:
Capital adequacy cont.

Capital ratios 2012	Group	Parent company
Tier 1 ratio, including transition rules ,%	12.3	12.8
Total capital ratio, including transition rules, %	13.0	13.6

Analysis of capital requirements	Group		Parent company	
Exposure class	Average risk weight (%)	Capital requirement	Average risk weight (%)	Capital requirement
Corporate IRB	57	12,413	57	11,924
Institutions IRB	10	442	10	442
Retail IRB	12	2,202	15	1,316
Sovereign	1	30	1	27
Other	31	1,577	23	2,934
Total credit risk	**32**	**16,664**	**33**	**16,643**

Risk-weighted assets for credit, market and operational risks, 31 Dec 2011

	Group	Parent company
Credit risks	235,180	224,650
Market risks	5,227	3,928
Operational risks	20,193	19,359
Total risk-weighted assets	**260,600**	**247,937**

Capital ratios 2011		
Tier 1 capital ratio, including transition rules, %	9.5	9.7
Total capital ratio, including transition rules, %	10.6	11.0

Capital requirements for market risk, 31 December 2012

	Trading book, IA		Trading book, SA		Total	
NOKm	RWA	Capital requirement	RWA	Capital requirement	RWA	Capital requirement
Interest rate risk[1]	532	43	1,398	112	1,930	155
Equity risk	30	2	20	1	50	3
Foreign exchange risk	5	1	0	0	5	1
Commodity risk	0	0	0	0	0	0
Diversification effect	-71	-6	0	0	-71	-6
Stressed Value-at-Risk	239	19	0	0	239	19
Total	**735**	**59**	**1,418**	**113**	**2,153**	**172**

[1] Interest rate risk in column Trading book, IA includes only general interest rate risk while the column Trading book, SA includes both general and spesific interets rate risk.

More Capital Adequacy information for the Group can be found in the Risk, Liquidity and Capital management section in the Board of Director's report. The qualitative disclosures in in the Risk, Liquidity and Capital management section covers also the parent company where applicable.

Generally, Nordea Group has the ability to transfer capital within its legal entities without material restrictions. International transfers of capital between legal entities are normally possible after approval by of the local regulator and are of importance when governing the capital position within the Group. The guarantee schemes introduced within EU during 2008 has under certain circumstances limited the transferability of capital with impact on crossborder financial groups. There are no such restrictions that directly affecting Nordea as per end of 2012.

Note 39:
Classification of financial instruments

Group

NOKm, 31 Dec 2012	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	3,836							3,836
Loans to central banks and credit institutions[1]	14,396		2,015	1,387				17,798
Loans to the public[1]	454,628		285	1,077				455,990
Interest-bearing securities[1]		6,912	47,078			35,336		89,326
Financial instruments pledged as collateral			1,917					1,917
Shares[2]			423			70		493
Derivatives			249		1,217			1,466
Fair value changes of the hedged items in portfolio hedge of interest rate risk	764							764
Investments in associated undertakings							1,413	1,413
Intangible assets							411	411
Property and equipment							298	298
Investment property							132	132
Deferred tax assets							206	206
Current tax assets							43	43
Other assets	4,686						5	4,691
Prepaid expenses and accrued income	2,747			197			7	2,951
Total	**481,057**	**6,912**	**51,967**	**2,661**	**1,217**	**35,406**	**2,515**	**581,735**

[1] In the parent company Nordea Bank Norge ASA Loans to credit institutions, Loans to the public and Interest bearing securities are NOK 55,519m, NOK 324,054m, NOK 110,536m respectively at year-end. The change from NBN group figures relates mainly to the wholly owned subsidiaries Nordea Eiendomskreditt AS (NE) and Nordea Finans Norge AS (NFN). NE's and NFN's loans in NBN ASA are classified as Loans to credit institutions in the parent company, while the loans are eliminated in the group figures. This increases Loans to the public in the above disclosed NBN group figures. There are insignificant changes between NBN ASA and NBN Group on the other lines and therefore no separate disclosure is made for the parent company.

[2] Shares classified as available for sale are booked at cost with the exception of the shares where a market price is available.

Group

NOKm, 31 Dec 2012	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	194	452		228,351		228,997
Deposits and borrowings from the public	200	287		218,465		218,952
Debt securities in issue				65,793		65,793
Derivatives	728		1,347			2,075
Fair value changes of the hedged items in portfolio hedge of interest rate risk				1,123		1,123
Current tax liabilities					1,731	1,731
Other liabilities	2,287			12,496	121	14,904
Accrued expenses and prepaid income		246		1,408	858	2,512
Provisions					317	317
Retirement benefit obligations					1,204	1,204
Subordinated liabilities				7,879		7,879
Total	**3,409**	**985**	**1,347**	**535,515**	**4,231**	**545,487**

Note 39:

Classification of financial instruments cont.

Group

NOKm, 31 Dec 2011	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	5,299							5,299
Loans to central banks and credit institutions[1]	26,747			196				26,943
Loans to the public[1]	459,021		2,225	3,157				464,403
Interest-bearing securities[1]		11,827	41,365	5		21,860		75,057
Financial instruments pledged as collateral			534					534
Shares[2]			1,565			80		1,645
Derivatives			4,114		1,689			5,803
Fair value changes of the hedged items in portfolio hedge of interest rate risk	658							658
Investments in associated undertakings							1,277	1,277
Intangible assets							461	461
Property and equipment							303	303
Deferred tax assets							269	269
Other assets	644			3,219			25	3,888
Prepaid expenses and accrued income	2,442			245			86	2,773
Total	**494,811**	**11,827**	**49,803**	**6,822**	**1,689**	**21,940**	**2,421**	**589,313**

[1] In the parent company Nordea Bank Norge ASA Loans to credit institutions, Loans to the public and Interest bearing secrurities are NOK 56,552m, NOK 359,710m, NOK 95,836m respectively at year-end. The change from NBN group figures relates mainly to the wholly owned subsidiaries Nordea Eiendomskreditt AS (NE) and Nordea Finans Norge AS (NFN). NE's and NFN's loans in NBN ASA are classified as Loans to credit institutions in the parent company, while the loans are eliminated in the group figures. This increases Loans to the public in the above disclosed NBN group figures. There are insignificant changes between NBN ASA and NBN Group on the other lines and therefore no separate disclosure is made for the parent company.

[2] Shares classified as available for sale are booked at cost with the exception of the shares where a market price is available.

Group

NOKm, 31 Dec 2011	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	534	8,277		230,659		239,470
Deposits and borrowings from the public				223,195		223,195
Debt securities in issue				51,471		51,471
Derivatives	948		1,057			2,005
Fair value changes of the hedged items in portfolio hedge of interest rate risk				618		618
Current tax liabilities					198	198
Other liabilities	1,606	3,423		23,424	130	28,583
Accrued expenses and prepaid income		394		1,243	731	2,368
Provisions					512	512
Retirement benefit obligations					1,087	1,087
Subordinated liabilities				9,394		9,394
Total	**3,088**	**12,094**	**1,057**	**540,004**	**2,658**	**558,901**

Note 40:
Assets and liabilities at fair value

This note is only presented on group level since the parent company's figures are only slightly different as disclosed in Note 39 Classification of financial instruments

	31 Dec 2012		31 Dec 2011	
NOKm	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	3,836	3,836	5,299	5,299
Loans to central banks and credit institutions	17,798	17,798	26,943	26,973
Loans to the public	455,990	455,990	464,403	463,776
Interest-bearing securities	89,326	89,382	75,057	75,051
Financial instruments pledged as collateral	1,917	1,917	534	534
Shares	493	493	1,645	1,645
Derivatives	1,466	1,466	5,803	5,803
Fair value changes of the hedged items in portfolio hedge of interest rate risk	764	764	658	658
Investments in associated undertakings	1,413	1,413	1,277	1,277
Intangible assets	411	411	461	461
Property and equipment	298	298	302	302
Investment property	132	132	1	1
Deferred tax assets	206	206	269	269
Current tax assets	43	43	0	0
Other assets	4,691	4,691	3,888	3,888
Prepaid expenses and accrued income	2,951	2,951	2,773	2,773
Total assets	**581,735**	**581,791**	**589,313**	**588,710**

	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities				
Deposits by credit institutions	228,997	226,528	239,470	239,629
Deposits and borrowings from the public	218,952	218,952	223,195	222,953
Debt securities in issue	65,793	65,793	51,471	51,474
Derivatives	2,075	2,075	2,005	2,005
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,123	1,123	618	618
Current tax liabilities	1,731	1,731	198	198
Other liabilities	14,904	14,904	28,583	28,583
Accrued expenses and prepaid income	2,512	2,512	2,368	2,368
Provisions	317	317	512	512
Retirement benefit obligations	1,204	1,204	1,087	1,087
Subordinated liabilities	7,879	7,890	9,394	9,382
Total liabilities	**545,487**	**543,029**	**558,901**	**558,809**

Estimation of fair value for assets and liabilities

Financial assets and financial liabilities in the balance sheet are generally measured at fair value, with the exception of loans, deposits and borrowings and issued securities.

The carrying amounts on loans, deposits and borrowings and issued securities are adjusted for the value of the fixed interest term, unless the interest rate risk is hedged, in order to estimate the fair values that are presented in the tables above. The value of the fixed interest term is a result of changes in the relevant market interest rates. The discount rates used are based on current market rates for each term. The fair value of the hedged interest rate risk is included in the balance sheet item Fair value changes of the hedged items in portfolio hedge of interest rate risk.

Fair value is estimated to be equal to the carrying amount for short-term financial assets and financial liabilities. The carrying amount is a reasonable approximation of fair value due to limited credit risk and short time to maturity.

Fair value is set to carrying amount, in the tables above, for assets and liabilities for which no reliable fair value has been possible to estimate. This is valid for the line items Investments in associated undertakings, Investments in group undertakings, Intangible assets, Property and equipment and Provisions.

Nordea holds very limited amounts of equity instruments measured at cost. Fair value is set to carrying amount for these instruments as the fair value cannot be measured reliably.

For further information about valuation of items normally measured at fair value, see Note 1 Accounting policies.

Note 40:
Assets and liabilities at fair value cont.

Determination of fair value from quoted market prices or valuation techniques

Fair value measurements are categorised using a fair value hierarchy. The financial instruments carried at fair value have been categorised under the three levels of the IFRS Fair value hierarchy that reflects the significance of inputs. The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety. To categorise the instruments into the three levels, the relevant pricing models for each product is considered in combination with used input market data, the significance of derived input data, the complexity of the model and the accessible pricing data to verify model input. Although the complexity of the model is considered, a high complexity does not by default require that products are categorised into level 3.

It is the use of model parameters and the extent of unobservability that defines the fair value hierarchy levels. For bonds the categorisation into the three levels are based on the internal pricing methodology. The bonds 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.

Level 1 consist of financial assets and financial 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 ongoing basis.This category includes listed derivatives, listed equities, government bonds in developed countries, and most liquid mortgage bonds and corporate bonds where direct tradable price quotes exists.

Level 2 consists of financial assets and financial liabilities which do not have directly quoted market prices available from an active market. The fair values are estimated using a valuation technique or valuation model based on market prices or rates prevailing at the balance sheet date, and any unobservable inputs are insignificant in the fair values. This is the case for the majority of Nordea's OTC derivatives, securities purchased/sold under resale/repurchase agreements, securities borrowed/loaned and other instruments where an active market supply the input to the valuation technique or model.

Level 3 consists of those types of financial instruments 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. This is generally the case for investments in unlisted securities, private equity funds, hedge funds, and both more complex or less active markets supplying input to the technique or model for OTC derivatives, certain complex or structured financial instruments such as CLNs and CDOs, and illiquid bonds.

The following table presents the valuation methods used to determine fair values of financial instruments carried at fair value:

		31 Dec 2012			31 Dec 2011	
NOKm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)
Assets						
Loans to central banks and credit institutions		3,402			196	
Loans to the public		1,362			5,382	
Debt securities[1]	30,072	54,218		57,687	6,077	
Shares[2]	410		124	1,506		139
Derivatives		1,466		19	5,784	
Other assets					3,219	
Prepaid expenses and accrued income		197			245	
Liabilities						
Deposits by credit institutions		646			8,811	
Deposits and borrowings from the public		487				
Derivatives	1	2,074		6	1,999	
Other liabilities		2,287			5,029	
Accrued expenses and prepaid income		246			394	

[1] Of which NOK 82,414m (63,230) in Interest-bearing securities (the portion held at fair value in Note 39 Classification of financial instruments). NOK 1,876m (534) relates to the balance sheet item Financial instruments pledged as collateral

[2] NOK 41m (0) relates to the balance sheet item Financial instruments pledged as collateral.

Note 40:
Assets and liabilities at fair value cont.

Transfers between level 1 and 2

The following table shows transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities which are recorded at fair value. The reason for the transfers from level 1 to level 2 was that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs.

NOKm, 31 Dec 2012	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Assets		
Debt securities	41,052	0

NOKm, 31 Dec 2011	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Assets		
Debt securities	1,319	0

Movements in level 3

The following table shows a reconciliation of the opening and closing carrying amount of level 3 financial assets and liabilities recognised at fair value.

NOKm	1 jan 2012	Purchases	Sales	31 Dec 2012
Assets				
Shares	139	3	-18	124

NOKm	1 jan 2011	Purchases	Sales	31 Dec 2011
Assets				
Shares	534	1	-396	139

During the year NBN Group had no transfers from level 1 and level 2 to level 3 of the fair value hierarchy.

Sensitivity of level 3 financial instruments measured at fair value to changes in key assumptions

Included in the fair value of financial instruments carried at fair value on the balance sheet are those estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices or rates. There may be uncertainty about a valuation, resulting from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a result of other elements affecting the valuation technique. Portfolio adjustments are applied to reflect such uncertainties and are decucted from the fair values produced by the models or other valuation techniques (for further information see Note 1 Accounting policies, section 10 Determination of fair value of financial instruments).

This disclosure shows the potential impact of the relative uncertainty in the fair value of financial instruments for which the valuation is dependent on unobservable input parameters. The estimates disclosed below are likely to be greater than the true uncertainty in fair value of these instruments, as it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. The disclosure is neither predictive nor indicative of future movements in fair value.

The following table shows the sensitivity of the fair value of level 3 instruments to changes in key assumptions, by class of instruments. Where the exposure to an unobservable parameter is offset across different instruments then only the net impact is disclosed in the table.

		Effect of reasonably possible alternative assumptions	
NOKm, 31 Dec 2012	Carrying amount	Favourable	Unfavourable
Assets			
Shares	124	0	0
NOKm, 31 Dec 2011			
Assets			
Shares	139	0	0

In order to calculate the effect on level 3, fair values from altering the assumptions of the valuation technique or model, the sensitivity to unobservable input data is assessed.

Note 41:
Transferred assets and obtained collaterals

Transferred assets that are not derecognised in their entirety and associated liabilities

All assets transferred continue to be recognised on the balance sheet if Nordea is still exposed to changes in the fair value of the assets. This is the case for repurchase agreements and securities lending transactions.

Repurchase agreements are a form of collateralised borrowing where Nordea sells securities with an agreemement to repurchase them at a later date at a fixed price. The cash received is recognised as a deposit (liability). Securities delivered under repurchase agreements are not derecognised from the balance sheet.

Securities lending transactions are transactions where Nordea lends securities it holds to a counterpart and receives a fee.

As both repurchase agreements and securities lending transactions result in that the securities are returned to Nordea, all risks and rewards of the instruments transferred are retained by Nordea, although they are not available for Nordea during the period during which they are transferred. The counterpart in the transactions holds the securities as collateral, but has no recourse to other assets in Nordea.

The securities still reported in the balance sheet and the corresponding liabilities are measured at fair value.

	Group		Parent	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Repurchase agreements				
Interest-bearing securities	1,876	534	19,703	18,361
Securities lending agreements				
Shares	41	0	41	0
Total	**1,917**	**534**	**19,744**	**18,361**

Liabilities associated with the assets

	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Repurchase agreements				
Deposits by credit institutions	194	534	18,021	18,361
Deposits and borrowings from the public	200	0	200	0
Securities lending agreements				
Deposits by credit institutions	336	0	336	0
Total	**730**	**534**	**18,557**	**18,361**
Net	**1,187**	**0**	**1,187**	**0**

Obtained collaterals which are permitted to be sold or repledged

Nordea obtains collaterals under reverse repurchase and securities borrowing agreements which, under the terms of the agreements, can be sold or repledged. The transactions are conducted under standard agreements employed by financial markets participants. Generally, the agreements require additional collateral to be provided if the value of the securities falls below a predetermined level. Under standard terms for most repurchase transactions, the recipient of collateral has an unrestricted right to sell or repledge it, subject to returning equivalent securities on settlement of the transactions. The fair value of the securities obtained as collateral under reverse repurchase and securities borrowing agreements are disclosed below.

	Group		Parent	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Reverse repurchase agreements				
Received collaterals which can be repledged or sold	2,300	2,224	2,300	2,224
- of which repledged or sold	0	0	0	0
Securities borrowing agreements				
Received collaterals which can be repledged or sold	3,311	3,742	3,311	3,742
- of which repledged or sold	3,227	3,317	3,227	3,317
Total	**5,611**	**5,966**	**5,611**	**5,966**

Note 42:
Maturity analysis for assets and liabilities

This note is only presented on group level since the parent company's figures are only slightly different.

Cash flow analysis

NOKm, 31 Dec 2012	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest bearing financial assets	11,639	67,759	77,611	257,487	286,122	700,618
Non interest bearing financial assets	0	0	0	0	12,911	12,911
Total financial assets	**11,639**	**67,759**	**77,611**	**257,487**	**299,033**	**713,529**
Interest bearing financial liabilities	220,860	84,512	9,546	191,393	28,264	534,575
Non interest bearing financial liabilities	0	0	0	0	60,114	60,114
Total financial liabilities	**220,860**	**84,512**	**9,546**	**191,393**	**88,378**	**594,689**
Derivatives, cash inflow	0	141,815	14,817	43,778	2,709	203,119
Derivatives, cash outflow	0	142,499	15,016	44,628	2,908	205,051
Net exposure	**0**	**–684**	**–199**	**–850**	**–199**	**–1,932**
Exposure	**–209,221**	**–17,437**	**67,866**	**65,244**	**210,456**	**116,908**
Cumulative exposure	**–209,221**	**–226,658**	**–158,792**	**–93,548**	**116,908**	

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 has credit commitments amounting to NOK 102,481m (107,592), which could be drawn on at any time. Nordea has also issued guarantees of NOK 1,801m (1,702) which may lead to future cash outflows if certain events occur. For additional information see Liquidity risk on page 15 in the Board of Directors' report.

Cash flow analysis

NOKm, 31 Dec 2011	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Total
Interest bearing financial assets	93,142	35,467	44,937	245,260	271,297	690,103
Non interest bearing financial assets	0	0	0	0	21,765	21,765
Total financial assets	**93,142**	**35,467**	**44,937**	**245,260**	**293,062**	**711,868**
Interest bearing financial liabilities	260,979	57,357	139,530	80,474	22,091	560,431
Non interest bearing financial liabilities	0	0	0	0	43,337	43,337
Total financial liabilities	**260,979**	**57,357**	**139,530**	**80,474**	**65,428**	**603,768**
Derivatives, cash inflow	0	158	41	88	9	296
Derivatives, cash outflow	0	151	36	70	0	257
Net exposure	**0**	**7**	**5**	**18**	**9**	**39**
Exposure	**–167,837**	**–21,883**	**–94,588**	**164,804**	**227,643**	**108,139**
Cumulative exposure	**–167,837**	**–189,720**	**–284,308**	**–119,504**	**108,139**	

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 has credit commitments amounting to NOK 107,592m (111,504), which could be drawn on at any time. Nordea has also issued guarantees of NOK 1,702m (1,303) which may lead to future cash outflows if certain events occur.

Note 43:

Related-party transactions

The information below is presented from a Nordea perspective, meaning that the information show the effect from related party transactions on the Nordea figures.

	Associated undertakings		Other related parties[1]	
Group	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2012	2011	2012	2011
Assets				
Loans	0	0	13,784	9,517
Derivatives	0	0	583	4,109
Other assets	0	0	107	41
Total assets	**0**	**0**	**14,474**	**13,667**
Liabilities				
Deposits	240	24	198,635	185,517
Derivatives	0	0	664	640
Subordinated liabilities	0	0	6,765	8,196
Other liabilities	0	0	854	918
Total liabilities	**240**	**24**	**206,918**	**195,271**

	Associated undertakings		Other related parties[1]	
NOKm	2012	2011	2012	2011
Net interest income	–3	–1	–2,403	–1,750
Net fee and commission income	0	0	484	531
Net result from items at fair value	0	0	185	3,592
Other operating income	0	0	32	55
Total operating expenses	0	0	–379	–97
Profit before loan losses	**–3**	**–1**	**–2,081**	**2,331**

[1]Companies significantly influenced by key management personnel in Nordea Group as well as companies significantly influenced by close family members to these key management personnel are considered to be related parties to Nordea. Transactions with related companies are made in Nordea's and the related companies' ordinary course of business and on the same criteria and terms as those for comparable transactions with companies of similar standing. They did not involve more than normal risk-taking. The transactions are therefore not included in the table. NBN has a customer relationship with a related company, Skjeberg Investment AS, where Nina Iversen, a member of the Board of Representatives, has significant influence. NBN also has customer relationships with the subsidiaries of Skjeberg Investment AS, Glomma Papp AS and Glomma Papp AB. Interest income in 2012 from Glomma Papp AS amounts to NOK 250,350. Interest paid to Skjeberg Investment AS, Glomma Papp AS and Glomma Papp AB totals NOK 632,298 during the year. Loans to Glomma Papp AS at year end 2011 amounted to NOK 11,665,664 and interest income during 2011 from Glomma Papp AS amounted to NOK 1,012,941. Interest paid to Skjeberg Investment AS and Glomma Papp AS totaled NOK 855,827 during 2011. NBN also has customer relationships with the related companies Ringkøb Eiendom AS and Ringkøb Invest AS, where Peter Groth, a member of the Board of Representatives, has significant influence. Loans to Ringkøb Eiendom AS amounted to NOK 13,160,000 at year end 2012 and interest income totals NOK 635,031 in 2012. Interest paid to Ringkøb Eiendom AS and Ringkøb Invest AS totals NOK 258,983 during the year.

During 2012 Nordea reduced its ownership in the teleinstallation company Relacom (Relacom Management AB) from 47.91% to 43.36% through sale and repurchase of shares. The company is an associated company accounted for under the equity method, and a related party to Nordea.

During April 2012 Nordea further increased its ownership in the real estate company Privatmegleren from 67% to 100% through purchase of shares from minority shareholders. The company is a consolidated subsidiary, and a related party to Nordea.

Nordea Liv administers NBN's DCP pension plan, see Note 33 Retirement benefit obligations. NBN paid a total of NOK 23m (22) in premiums to Nordea Liv in 2012.

Note 43:

Related-party transactions cont.

Parent company	Group undertakings 31 Dec		Associated undertakings 31 Dec		Nordea Norge Pension Foundation 31 Dec	
NOKm	2012	2011	2012	2011	2012	2011
Assets						
Loans	37,861	29,643	0	0	0	0
Interest-bearing securities	21,210	20,780	0	0	0	0
Derivatives	324	241	0	0	0	0
Other assets	11	0	0	0	0	0
Prepaid expenses and accrued income	22	28	0	0	0	0
Total assets	**59,428**	**50,692**	**0**	**0**	**0**	**0**
Liabilities						
Deposits	26	37	240	24	32	58
Derivatives	1,235	1,698	0	0	0	0
Other liabilities	0	0	0	0	0	0
Total liabilities	**1,261**	**1,735**	**240**	**24**	**32**	**58**
Off balance						
Contingent liabilities	3,817	3,707	1	1	0	0

Parent company	Group undertakings 31 Dec		Associated undertakings 31 Dec		Nordea Norge Pension Foundation 31 Dec	
NOKm	2012	2011	2012	2011	2012	2011
Net interest income	1470	1630	-3	-1	-2	-2
Net fee and commision income	3	6	0	0	0	0
Net result from items at fair value	-575	-711	0	0	0	0
Other operating income	179	133	0	0	0	0
Total operating expenses	-45	-43	0	0	0	0
Profit before loan losses	**1,032**	**1,015**	**-3**	**-1**	**-2**	**-2**

Compensations to Key Management personnel

Compensations and loans to key management personnel are specified in Note 8 Staff costs.

Note 44:
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 3) 2012, which is available on www.nordea.com.

Information on credit risk in lending is disclosed in the Risk, Liquidity and Capital management section of the Board of Directors´ Report. Information on credit risk in interest-bearing securities is found below, as well as some aditional information on loans and collateral.

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.

Exposure types, NOKm	31 Dec 2012	31 Dec 2011
On-balance sheet items	588,596	598,504
Off-balance sheet items	64,826	79,359
Securities financing	184	54
Derivatives	5,445	9,957
Exposure At Default (EAD)	**659,051**	**687,874**

Tables presented in this note, containing exposure, are presented as Exposure At Default (EAD). EAD is the exposure after applying credit conversion factors (CCF).

Reconciliation of exposure types to the balance sheet

The CRD consept of EAD is different from the accounting framework. The tables below show reconciliations from the recognised amount in the accounts to EAD. Capital requirement for credit risk is only calculated for the banking book. The counterparty risk from derivatives and repos are included in the credit exposure, while assets related to the trading book are included in market risk. The table below shows the reconciliation of the balance sheet assets to the EAD for credit risk. Assets outside the banking book contains credit risk, but from the CRD perspective these assets are measured in other risk classes.

On-balance sheet items

NOKm, 31 Dec 2012	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Other	Balance sheet (accounting)
Cash and balances with central banks	3,836	-	-	-	3,836
Interest-bearing securities and financial instruments pledged as collateral	88,670	2,573	-	-	91,243
Loans to central banks and credit institutions	15,785	-	2,015	-2	17,798
Loans to the public	476,828	-	285	-21,123	455,990
Derivatives1	-	-	1,466	-	1,466
Intangible assets	-	-	-	411	411
Other assets and prepaid expenses	4,041	5,331	-	1,619	10,991
Total assets	**589,160**	**7,904**	**3,766**	**-19,095**	**581,735**
Exposure at default [2]					

[1] Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives is included in the credit risk.

[2] The on-balance exposures have a CCF of 100% but can still have a lower EAD due to provisions in the standardised approach, that are deducted from the original exposure when calculating EAD.

Note 44:
Credit risk disclosures cont.

31 Dec 2011, NOKm	Original Exposure	Items related to market risk	Repos, derivatives, securities lending	Other	Balance sheet (accounting)
Cash and balances with central banks	5,299	0	0	0	5,299
Interest-bearing securities and financial instruments pledged as collateral	72,845	2,746	0	0	75,591
Loans to central banks and credit institutions	26,858	0	191	0106	26,943
Loans to the public	490,515	0	5,116	031,228	464,403
Derivatives1	0	0	5,803	0	5,803
Intangible assets	0	0	0	461	461
Other assets and prepaid expenses	3,493	5,774	0	1,546	10,813
Total assets	**599,010**	**8,520**	**11,110**	**-29,327**	**589,313**
Exposure at default [2]					

[1] Derivatives are included in banking and trading books, but not at book values. Counterparty risk in trading derivatives is included in the credit risk.

[2] The on-balance exposures have a CCF of 100% but can still have a lower EAD due to provisions in the standardised approach, that are deducted from the original exposure when calculating EAD.

Off-balance sheet items

31 Dec 2012, NOKm	Included in CRD off-balance	Included in derivatives & sec fin	Off-balance sheet (accounting)
Assets pledged as security for own liabilities	0	151,513	151,513
Contingent liabilities	1,801	0	1,801
Commitments	102,481	423,866	526,346
Total off-balance sheet items	**104,282**	**575,379**	**679,660**

31 Dec 2012, NOKm	Included in CRD off bal (from AR)	Included in CRD (not in AR)2	Original Exposure	Credit Conversion Factor %	Exposure
Credit facilities and checking accounts	78,927	0	78,927	68%	53,922
Loan commitments	23,554	0	23,554	38%	9,016
Guarantees	1,801	0	1,801	95%	1,712
Other (leasing and documentary credits)	0	703	703	25%	177
Total	**104,282**	**703**	**104,985**		**64,827**

31 Dec 2011, NOKm	Included in CRD off-balance	Included in derivatives & sec fin	Off-balance sheet (accounting)
Assets pledged as security for own liabilities	0	132,931	132,931
Other assets pledged	0	0	0
Contingent liabilities	1,703	0	1,703
Commitments	107,592	430,142	537,734
Total off-balance sheet items	**109,295**	**563,073**	**672,368**

31 Dec 2011, NOKm	Included in CRD off bal (from AR)	Included in CRD (not in AR)3	Original Exposure	Credit Conversion Factor %	Exposure
Credit facilities and checking accounts	82,612	0	82,612	70%	57,669
Loan commitments	24,981	0	24,981	78%	19,586
Guarantees	1,702	0	1,702	100%	1,695
Other (leasing and documentary credits)	0	1,188	1,188	34%	409
Total	**109,295**	**1,188**	**110,483**		**79,359**

Note 44:
Credit risk disclosures cont.

Exposure classes split by exposure type

31 Dec 2012, NOKm	On-balance sheet items	Off-balance sheet items	Derivatives	Securities financing	Total
Government, local authorities and central banks	36,783	1,264	496	0	38,543
Institutions	94,724	2,232	4,934	36	101,926
Corporate	222,277	51,392	9	148	273,826
Retail	225,898	9,935	6	0	235,839
Other	8,914	3	0	0	8,917
Total exposure	**588,596**	**64,826**	**5,445**	**184**	**659,051**

31 Dec 2011, NOKm	On-balance sheet items	Off-balance sheet items	Derivatives	Securities financing	Total
Government, local authorities and central banks	43,352	701	89	0	44,142
Institutions	97,620	2,938	9,855	43	110,457
Corporate	232,414	53,922	9	11	286,355
Retail	216,892	21,798	4	0	238,694
Other	8,226	0	0	0	8,226
Total exposure	**598,504**	**79,359**	**9,957**	**54**	**687,874**

Exposure secured by collateral, guarantees and credit derivatives

31 Dec 2012, NOKm	Original exposure	EAD	-of which secured by guarantees and credit derivatives	-of which secured by collateral
Government, local authorities and central banks	42,508	38,543	60	4
Institutions	101,818	101,926	0	231
Corporate	292,560	273,826	2,799	122,831
Retail	253,478	235,839	3	195,491
Other	9,411	8,917	0	2
Total exposure	**699,775**	**659,051**	**2,862**	**318,559**

31 Dec 2011, NOKm	Original exposure	EAD	-of which secured by guarantees and credit derivatives	-of which secured by collateral
Government, local authorities and central banks	46,617	44,142	0	0
Institutions	111,606	110,457	0	845
Corporate	305,053	286,355	1,876	115,189
Retail	247,573	238,694	16	194,763
Other	8,656	8,226	0	0
Total exposure	**719,505**	**687,874**	**1,892**	**310,797**

Collateral distribution

	31 Dec 2012	31 Dec 2011
Other Physical Collateral	11%	12%
Receivables	3%	3%
Residential Real Estate	66%	66%
Commercial Real Estate	20%	19%
Financial Collateral	1%	1%

Note 44:

Credit risk disclosures cont.

Restructured loans and receivables current year [1]

NOKm	31 Dec 2012	31 Dec 2011
Loans before restructuring, carrying amount	169	130
Loans after restructuring, carrying amount	0	0

[1] Loans classified as impaired that subsequently have improved and are not classified as impaired at the reporting date.

Assets taken over for protection of claims [1]

NOKm	31 Dec 2012	31 Dec 2011
Current assets, carrying amount:		
Land and buildings	28	1
Other assets	4	26
Total	**32**	**27**

[1] In accordance with Nordea's policy for taking over assets for protection of claims, which is in compliance with the local Banking Business Acts, wherever Nordea is located. Assets, used as collateral for the loan, are generally taken over when the customer is not able to fulfil its obligations to Nordea. The assets taken over are at the latest, disposed when full recovery is reached.

Past due loans, excl. impaired loans

	31 Dec 2012		31 Dec 2011	
NOKm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	1,589	5,038	1,091	3,376
31–60 days	296	527	250	812
61–90 days	40	141	101	119
>90 days	9	74	15	84
Total	**1,933**	**5,780**	**1,457**	**4,391**
Past due not impaired loans divided by loans to the public after allowances,	0.8%	2.6%	0.6%	2.1%

Loans to corporate customers, by size of loan

	31 Dec 2012		31 Dec 2011	
Size in NOKm	Loans	%	Loans	%
1–90	76,460	32%	75,266	30%
90–450	79,639	34%	86,190	34%
450–900	44,153	19%	38,039	15%
900–2250	35,210	15%	43,961	17%
2250–4500	0	0%	10,827	4%
>4500	0	0%	0	0%
Total	**235,462**	**100%**	**254,283**	**100%**

Interest-bearing securities

	31 Dec 2012			31 Dec 2011		
NOKm	At fair value	At amortised cost	Total	At fair value	At amortised cost	Total
State and sovereigns	29,072	300	29,372	23,574	304	23,878
Municipalities and other public bodies	14,085	68	14,153	9,756	80	9,836
Mortgage institutions	4,337	5,831	10,168	0	5,821	5,821
Other credit institutions	34,607	713	35,320	28,033	5,622	33,655
Corporates	313	0	313	1,867	0	1,867
Total	**82,414**	**6,912**	**89,326**	**63,230**	**11,827**	**75,057**

Note 45
Covered bonds

Historical background

Four years ago, in Q4 2008, the Norwegian authorities decided to present an offer to the banks intended to achieve better conditions for funding as a help during the financial crisis. The facility included issuance of treasury bills or other 3 years' government bonds regarded as more liquid in the financial market compared to other securities. This was further extended to 5 years' government bonds in May 2009 for new transactions. As collateral for the government bonds issued by Norges Bank, the banks may provide covered bonds. Nordea Bank Norge ASA (NBN ASA) is not defined as a credit institution and, therefore, cannot itself issue these types of securities. However, NBN ASA's fully owned subsidiary Nordea Eiendomskreditt AS (NE) is a credit institution and can issue covered bonds in accordance with the regulations. Therefore, in December 2008 NBN ASA sold off parts of its loan portfolio to NE consisting of well secured housing/household loans. The compensation from NE partly consisted of covered bonds and a trade credit in the form of a deposit from NBN ASA. In addition, NBN ASA issued a subordinated loan to NE in order to cover any credit losses in the portfolio and for liquidity purposes.

Further, in May 2009 NBN ASA and NE entered into the same type of transaction as described above, at same conditions. The amount of loans sold in May 2009 was NOK 61bn. It was also decided that if necessary, NBN ASA would supply NE with more capital by increasing the subordinated loan if the credit losses exceed the principal and interest on the subordinated loan. A swap agreement was made to eliminate interest rate risk in NE as a consequence of this transaction. Furthermore, NBN ASA will act as an agent for NE and manage the portfolio, which means that the customer will have the same contact person and customer relationship with Nordea as before.

Based on an overall evaluation, the book value of the transferred loans was determined to be the best estimate of their fair value, both for the transfer done in December 2008 and May 2009. This was in principal explained by the fact that the loans in the portfolio had a floating market rate and that the credit risk would still remain in NBN ASA after the transfer. All client relationships continue to stay in NBN ASA as agent for NE. The transfer did not create any added value in this respect.

In 2008 and 2009, the actual transactions were reported as a net amount in both NBN ASA and NE, in accordance with IAS 32 and IAS 39 with respect to netting and derecognition. During 2010, this was changed, as the swap agreement to eliminate interest risk in NE, had been terminated. The risk of the portfolio was in 2010 transfered to NE, and this is reflected in each company's balance sheet as of end 2010 and 2011. During December 2010, NOK 15bn of covered bonds from the first transfer in 2008 matured, while NOK 15bn of the covered bonds was rated and NOK 9.3bn was at year-end 2010 sold in the open market.

In 2011 a US Covered Bonds Program was initiated, to expand the opportunities using covered bonds as a funding vehicle. In April 2011, an amount of USD 2bn was issued from NE to the US market, at favourable market prices. In September 2011 a further increase of USD 1bn was done towards the same market. In addition, NE has bought back from NBN ASA a total of NOK 30bn in bonds. These bonds in addition to the US bonds, have been rated and a total 49.4bn had been sold in the open market at end 2011. During 2012, NE has performed further issuance of bonds and the total sold in the open market end 2012 amounts to NOK 64.9bn.

Main figures relating to Covered Bonds, in NOKm:	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012
Net mortgage portfolio, moved from NBN ASA to NE	-24,402	-82,038	-80,786	-88,582	-113,805
Covered bonds issued in NE, sold to NBN ASA, not rated	15,000	65,000	65,000	65,000	65,000
Covered bonds matured	-	-	-15,000	-15,000	-15,000
Covered bonds, bought back from NBN ASA	-	-	-	-30,000	-30,000
Covered bonds, rated and sold in the open market			9,325	49,379	64,866

At year-end 2012, NOK 17.8bn of covered bonds of NOK 20bn owned by NBN had been used in transactions with Norges Bank. This is the same amount as end 2011. The corresponding figures at end 2010 was NOK 17.8bn of NOK 50bn, and NOK 32.4bn of NOK 65bn in 2009.

KPMG AS
P.O. Box 7000 Majorstuen
Sørkedalsveien 6
N-0306 Oslo

Telephone +47 04063
Fax +47 22 60 96 01
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the Board of Representatives and Annual Shareholders' Meeting of Nordea Bank Norge ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Nordea Bank Norge ASA, which comprise the financial statements of the parent company Nordea Bank Norge ASA and the consolidated financial statements of Nordea Bank Norge ASA and its subsidiaries. The parent company's and the consolidated financial statements comprise the statement of financial position as at 31 December 2012, and the income statement and the statement of other comprehensive income, statement of changes in equity and cash flow statement 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 the financial statements in accordance with International Financial Reporting Standards as adopted by the 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 entity'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.

KPMG AS, a Norwegian member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening.

Offices in:

Oslo, Alta, Arendal, Bergen, Bodø, Elverum, Finnsnes, Grimstad, Hamar, Haugesund, Knarvik, Kristiansand, Larvik, Mo i Rana, Molde, Narvik, Røros, Sandefjord, Sandnessjøen, Stavanger, Stord, Straume, Tromsø, Trondheim, Tønsberg, Ålesund

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Nordea Bank Norge ASA and of Nordea Bank Norge ASA and its subsidiaries as at 31 December 2012, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and Report on corporate governance

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 Report on corporate governance 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 Accounting 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 the 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.

Oslo, 6 February 2013
KPMG AS

Arne Frogner
State authorized public accountant

[Translation has been made for information purposes only]

Statement by the Chief Executive Officer and the Board of Directors

The Chief Executive Officer and the Board of Directors have today considered and approved the consolidated annual report of Nordea Bank Norge ASA as at 31 December 2012 including consolidated comparative figures as at 31 December 2011 ("the annual report").

The annual report has been prepared in accordance with IFRS as adopted by the EU and additional Norwegian disclosure requirements for annual financial reports of listed and state-owned public limited companies. We consider the accounting policies applied to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's assets, liabilities, financial position and net profit as at 31 December 2012 and as at 31 December 2011 and of the results of the Group's operations and cash flows for the year 2012 and the year 2011.

According to our best knowledge, the Board of Directors' report gives a true and fair view of the financial statements including the description of the most relevant risk and uncertainty factors which the company faces the coming year, and disclosure of related party transactions.

Nordea Bank Norge ASA
Oslo, 6 February 2013

Ari Kaperi Chairman	Torsten Hagen Jørgensen Deputy chairman	Mary H. Moe
Karin S. Thorburn		Steinar Nickelsen Employee representative
		Gunn Wærsted Chief Executive Officer

Report by the Control Committee 2012

To the Supervisory Board and the Annual Shareholders' Meeting of Nordea Bank Norge ASA

During 2012 the Control Committee has inspected the Bank's activities in accordance with the Commercial Banks Act § 13 and the instructions issued by the Supervisory Board on 4 August 1992.

The Control Committee has examined the accounts for 2012 and is of the view that they are in accordance with prevailing accounting regulations and International Financial Reporting Standards adopted by the European Union. The Control Committee considers the Board of Directors' evaluation of the Bank'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 2012 the Control Committee refers to the auditor's report of 6 February 2013 and supports the views expressed therein concerning the submitted annual accounts.

Oslo, 11 February 2013

Inger Johanne Lund (Chairman)	Christian Hambro (Deputy Chairman)	Janicke L. Rasmussen (Member)	Odd Svang-Rasmussen (Deputy Member)

Board of Directors

The Board of Directors in Nordea Bank Norge ASA comprises the Chief Risk Officer of the Nordea Group, Ari Kaperi, as chairman, and four members. In addition there are two deputy members.

The Chief Executive Officer in Nordea Bank Norge ASA is Gunn Wærsted.

Board of Directors 2012

Ari Kaperi
Born 1960. Chief Risk Officer of Nordea Group. Chairman of the Board since 2010. Member since 2010.

Torsten Hagen Jørgensen
Born 1965. Chief Financial Officer of Nordea Group. Member since 2013.

Mary Helene Moe
Born 1946. Retiree/former Assistant Director General – Business Development, City of Oslo. Member since 2008.

Karin S. Thorburn
Born 1964. Professor of finance, The Norwegian School of Economics, Bergen. Member since 2010.

Steinar Nickelsen
Born 1962. Employee representative. Member since 2007.

Deputy members

Hans Christian Krogh Riise
Deputy employee representative.

Hedda Henriette Grundt
Deputy employee representative.

Nordea Bank Norge ASA
Middelthunsgt. 17
P.O. Box 1166 Sentrum
0107 Oslo
Tel +47 22 48 50 00
Fax +47 22 48 47 09
www.nordea.no