Nordea

Annual Report 2011

Nordea Bank Norge

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, approx. 1,400 branch offices 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.

Contents

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

Group

Business volumes, key items

	2011	2010	Change %	2009	2008
Total operating income, NOKm	11,336	11,650	-3	11,243	11,057
Total operating expenses, NOKm	5,323	5,076	5	5,324	4,653
Profit before loan losses, NOKm	6,013	6,574	-9	5,919	6,404
Net loan losses, NOKm	1,432	725	98	2,004	651
Operating profit, NOKm	4,581	5,849	-22	3,915	5,753
Net profit for the year, NOKm	3,347	4,300	-22	2,634	4,330
Loans to the public, NOKbn	464.4	439.2	6	422.3	446.5
Deposits and borrowings from the public, NOKbn	223.2	234.1	-5	217.2	235.4
of which savings deposits	87.2	79.1	10	64.0	65.4
Equity, NOKbn	30.4	29.6	3	26.7	27.1
Total assets, NOKbn	589.3	497.3	18	534.0	549.1

Ratios and key figures

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

[1] End of the year.

[2] Including transition rules.

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

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 with regards to the Nordic banks the aim is that Nordea Bank AB (publ) will be converted into a European company. A conversion is expected to lead to improved operational efficiency, reduced operational risk and complexity as well as enhanced capital efficiency.

Among other things, a conversion is conditional upon 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 2012.

Subsidiaries and foreign branches

NBN 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 all major aspects small.

NE is used as a vehicle 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 remained unchanged. In 2011 a total of USD 3bn in covered bonds were issued in NE towards US investors. 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. In addition Nordea Bank Norge ASA holds 67% of the shares in the real estate agency Privatmegleren AS. NBN has no foreign representative offices.

Business development in 2011

Economic growth in the US and Europe remains low. Economic data in the US has however surprised positively during the last part of 2011 and the fear of a renewed sharp downturn has decreased. The European region remains under pressure, impacted by austerity measures and deleveraging. In Asia, growth is strong but weakening.

While the Nordic economies are influenced by the economic environment they continue to perform strongly relative to the European region. Norway has maintained solid growth, although the economy is expected to experience a drag on growth through 2012.

As a response to the difficult environment and new regulatory responses, Nordea announced the New Normal initiative in 2011. NBN continues to adapt to the New Normal. In an environment with a subdued macroeconomic outlook, lending spreads are adjusted to better reflect future regulations and the increasing cost of capital. Efficiency gains are harvested through optimising the distribution channels as well as back office and support functions. The plan to reduce approximately 200 full time employees (FTEs) within end of 2012 is progressing according to plan.

Retail Banking actively aims, at all levels in the organisation, to create awareness of the challenges and consequences imposed by new regulation, the economic outlook and changing customer behaviour in order to build customer understanding of the necessary changes. A decision was made in last quarter to close some of the small branches and these branch closures will mainly be implemented during 2012.

Business activity in household remained strong in the fourth quarter and the number of Gold and Premium customers increased by 5,500. Compared to the fourth quarter 2010, the number of relationship customers increased by 29,000, representing a 12% growth rate. More than half of this growth came from externally acquired customers. The yearly customer satisfaction survey proved a positive development both in household and corporate segment, and confirmed that the strong focus on proactivity is appreciated by customers.

Nordea's distribution initiatives support the relationship strategy by adapting to changing customer behaviour through continuous development of online and mobile solutions for customers. Nordea continues to transform its branch network to better reflect today's customer behaviour and needs, and the transformation will continue throughout 2012.

The number of manual transactions decreased steadily, as customers chose to use other more convenient solutions for daily banking. In light of this development, Nordea is reviewing the extent of manual cash offering with the aim to concentrate the services to fewer places. The number of visits to the mobile bank in the Nordic countries has more than quadrupled during the past year, further accelerated in the fourth quarter by simplified login methods in Denmark and Norway, and by improved online assistance for mobile services. Several improvements, features and functionalities were also launched in the Private Netbank during 2011.

The uncertain macroeconomic environment was to some extent reflected in the demand for corporate lending. The shipping segment has been hit hard with lower global demand and increased overcapacity affecting freight rates negatively. This has caused further deterioration of collateral values and it has also been more difficult to find ways for successful restructurings. Weak market conditions in the tanker, dry cargo and containership markets resulted in a general decline in vessel values and as a result of this, loan losses increased. The approach to the shipping industry remains unchanged with new business on conservative terms. Nordea has necessary work-out resources to handle problem customers and identify new potential risk customers early.

Result summary for 2011

Income

Total operating income was NOK 11,336m (11,650), a decrease of 3%, mainly driven by a reduction in net result on items at fair value due to a large one-time positive effect from the Nordito/PBS (Nets) merger in 2010. Excluding this one-off effect related to the merger, total operating income increased 1% compared to last year.

Net interest income increased by 1% to NOK 8,349m (8,278). The rise compared to 2010 stems mainly from growth in lending volumes and increased lending spreads* in Shipping & Offshore and Corporate & Institutional Banking (CIB), which reflects current market conditions. However, Retail corporate lending spreads are stable and Household lending spreads are down due to higher funding costs. The rise was partially offset by decreased lending and corporate deposit spreads coupled with reduced deposit volumes from the public.

The 6% growth in lending to the public to NOK 464bn is driven both from Corporate and Household with the majority from a 9% increase from last year in Household lending volumes. The rise in household lending volumes is partially offset by declines in CIB and Shipping & Offshore mainly due to focusing on steady growth in spreads and Nordea's credit policy respectively. The slight fall in deposit volumes results mainly from CIB and Shipping & Offshore driven by competition and customer behavior and is partially offset by a rise in Retail Banking deposit volumes.

Deposit spreads are decreasing due to fierce competition in all areas other than Household, where the spreads are up due to lower market rates in 2011 than 2010.

Net fee and commission income increased by 4% to NOK 2,265m. The positive effects were realised in savings from Brokerage fees on high customer activity in hedging instruments and Trade Finance products, along with rising payment related commissions from increased Card volumes, profitable Acquiring programmes and a one-time other commission income fee earned in 2011. These were partially offset by a slower Corporate Finance market and a reduction of syndicated loans in Shipping & Offshore.

Net result on items at fair value went down from NOK 888m to NOK 343m. The main reason for the high income on equity related products last year was a non-recurring gain from the merger between the payment transactions companies Nordito in Norway and PBS in Denmark recognising NOK 467m in 2010, partially offset by increased activity in other equity related product areas. Interest related instruments contributed negatively due to losses on swaps in Treasury in 2011, and positive one-time effects from Retail Banking in 2010. FX instruments contributed positively driven by gains on FX swaps in Treasury, however somewhat lower the last three months in 2011 compared to previous quarters.

Results from companies accounted for under the equity method contributed with positive NOK 194m, compared to NOK 103m last year. The positive results are due to widening of the credit spreads, contributing to unrealised gains on the valuation of Eksportfinans ASA's own debt at fair value. During fourth quarter 2011 NBN has applied its own valuation model towards the valuation of Eksportfinans' own debt, for further information see Note 20 Investments in associated undertakings.

Other operating income went down from last year with NOK 23m. The main reason is income in 2010 related to a transaction with JP Morgan and a dividend in the Sponsorservice bankruptcy case that is non-recurring.

Expenses

Total operating expenses rose by 5% to NOK 5,323m, but after adjusting for effects related to the New Normal restructuring cost and change in pension schemes, total expenses has decreased by 5%. The effect related to restructuring costs amounted to increased costs of

*The interest rate spreads Nordea reports for lending and deposits do not reflect Nordea's profit margin on the respective products. For mortgage loans and other long-term lending products, Nordea's total funding cost is considerably higher, between 30 and 70 basis points. Furthermore, operating expenses for the products are not included.

NOK 295m, while one-time pension effects amounted to a gain of NOK 291m in 2010. When adjusting for the New Normal costs only, total expenses decreased by 1% compared to last year.

Staff cost normalised for the above one-time effects are reduced by 3%. The number of FTEs was reduced by 3.0% and ended at 3,132, with reductions in all areas other than Group Operations and Other Lines of Business, where there was a small increase. The reduction is in line with the New Normal initiative and further reductions are expected within 2012.

Other expenses fell 9% to NOK 1,932m excluding restructuring costs in connection with the implementation of the New Normal plan. Decreases in 2011 compared to 2010 mainly relate to declining IT, marketing and consulting costs, coupled with higher costs related to a fraud case in 2010, while maintenance expenses increased in 2011.

Net loan losses

Net loan losses ended at NOK 1,432m, almost a doubling from NOK 725m in 2010. Loan losses are still related to a small number of large corporate customers, concentrated in Shipping & Offshore and IT Software, Hardware & Services, as well as Retail Trade. As losses in the portfolio are identified, collective provisions are reversed in line with the remaining portfolio holding, less impaired loans that have not been identified. Impaired loans gross was reduced by 6% the last quarter and 28% from last year. The net loan loss ratio at the end of the year was 32 basis points compared to 17 basis points in 2010. Individual loan losses amounted to 38 basis points, while the net reversals of collective loan losses lead to 6 basis points.

Taxes

The income tax expense was NOK 1,234m, giving an effective tax rate of 26.9% (26.5) for NBN and 26.9% (24.7) for the parent company. The main reason for the effective tax rates being lower than 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 EU.

Net profit

The net profit for the year decreased by 22% and amounted to NOK 3,347m (4,300). The lower contribution is explained by the positive one-time effects from Nordito/PBS (Nets) merger of NOK 467m and pension of NOK 291m in 2010, along with increased costs from restructuring related to the implementation of the New Normal plan of NOK 295m, and much elevated net loan losses. The return on equity was 11.6% (15.6).

Comments on the Balance sheets - financial structure

Total assets grew by 18%, or NOK 92bn to NOK 589bn at the end of 2011. NOK strengthened somewhat compared to the EUR, while declining slightly against the USD compared to 2010.

Assets

Public lending increased by 6% from last year, ending at NOK 464bn. Corporate and Household (mainly mortgage) lending grew compared to previous year by 3% to NOK 254bn and 9% to NOK 210bn. Mortgage lending is now 96.1% of total household lending volume. Of this amount, NOK 89bn is recognised in the balance sheet of NE, used as collateral in securing the bonds issued in the Covered Bonds program.

The main explanation for the growth in assets from last year is higher volume on interest-bearing securities, with an increase in both state certificates and bonds in the current asset portfolio in Treasury, as part of Nordea's liquidity buffer management. Additional growth came from loans to credit institutions which are mainly to other Nordea Group companies, while growth in other assets is driven by favourable FX positions in Treasury. Cash and balances with central banks were reduced from a high level at the end of 2010.

Liabilities and funding activities

Total liabilities amounted to NOK 559bn, an increase of 19% from the end of 2010. The main reason is growth in deposits by credit institutions, which relate to increased funding provided from other Nordea Group companies. Funding from deposits from the public fell 5% compared to last year, mainly in Shipping & Offshore and CIB, and ended at NOK 223bn. The growth in deposits by credit institutions more than covers the increased lending to the public. The fierce competition for deposits has led to an increased funding gap ending at 51.9% at end of 2011. Funding has also been obtained through large amounts of debt securities in issue, which went up from NOK 11.4bn to NOK 51.5bn in one year, mainly due to bonds issued through Nordea's covered bonds program. For more information on covered bonds see Note 45 Covered bonds.

Equity

Shareholder's equity ended at NOK 30.4bn. This includes net profit for the year of NOK 3,347m. During the year, a dividend of NOK 2.5bn 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 2,552m.

According to IFRS, distribution of group contributions and dividends will not be booked before formal decision is made in the Annual General Meeting. All net profit as of 31 December 2011 will therefore be distributed to retained earnings in the balance sheet as of 31 December 2011. The capital adequacy position in NBN is considered good and it has been proposed to pay dividend for 2011 of NOK 1.6bn, equivalent to NOK 2.90 pr share to the shareholder Nordea Bank AB (publ). The payment will affect 2012 going forward when the formal decision has been made in March 2012, and is included in the capital adequacy calculation in Note 37 Capital adequacy. For the year 2010, NOK 2.5bn in dividend was paid.

For the Annual General Meeting 7 March 2012 it will be proposed that the net profit for 2011 will be distributed by way of:

- Allocation of dividend of NOK 1,600m to Nordea Bank AB (publ)
- Received group contribution, with taxable effect, from Nordea Liv Holding Norge AS (NLH) of NOK 200m
- An allocation of group contribution, without taxable effect, to Livsforsikringsselskapet Nordea Liv Norge AS (LNLN) of NOK 144m
- Received group contribution, with taxable effect from Nordea Finans Norge AS of NOK 300m

The group contribution from NLH and to LNLN is called a "circular group contribution" and is completed to offset Nordea's tax positions. This does not affect NBN's result, equity or Tier 1 capital.

Nordea's funding and liquidity operations

The average funding cost for long-term funding was largely unchanged in the fourth quarter.

Nordea issued EUR 4.0bn of long-term funding in the fourth quarter, of which approx. EUR 2.7bn represented issuance of Swedish, Norwegian and Finnish covered bonds in the domestic and international markets.

The portion of long-term funding of total funding was at the end of the year approx. 64% (61% at the end of last year).

For long-term funding risk, Nordea applies management of funding gap measures and matching between behavioural duration of assets and liabilities.

For short-term liquidity risks, Nordea maintains a measure close to the liquidity coverage ratio (LCR). The liquidity buffer is composed of highly liquid central bank eligible securities with characteristics similar to Basel III/CRD IV-liquid assets and amounted to EUR 64bn at the end of the fourth quarter (EUR 62bn at the end of the third quarter).

Off-balance sheet commitments

The bank's business operations include different off-balance sheet items, mainly guarantees and credit commitments. Total exposure regarding these items, see Note 35 Contingent liabilities and Note 36 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 2011 to be good.

Risk, Liquidity and Capital management

Risk, liquidity and capital management are key success factors in the financial services industry. The maintaining of risk awareness in the organisation is incorporated in the business strategies. Nordea has defined clear risk, liquidity and capital management frameworks, including policies and instructions for different risk types, capital adequacy and 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 group's risk exposure as well as for setting the targets for the capital ratios. Risk is measured and reported according to common principles and policies approved by the Board of Directors, which also decides on policies for credit, market, liquidity, business, and operational risk management and the International Capital Adequacy Assessment Process (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 customer 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 furthermore decides on the limits for market and liquidity risk in the Group.

The Board Risk Committee assists the Board of Directors in fulfilling its oversight responsibilities concerning management and control of the risks, risk frameworks, 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), as well as the liquidity risk limits in the risk-taking units Group Treasury and Nordea Markets.

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, the Risk Committee decides, within the scope of resolutions adopted by the Board of Directors, the allocation of the market risk limits to the risk-taking units. 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 two sub-committees for its work and decision-making within specific risk areas.

- The two sub-committees are the Group Valuation Committee (GVC) and the Credit Risk Model Validation Committee (CRMVC). GVC addresses issues related to the valuation framework of traded financial instruments, including standards, processes and control of valuation. The responsibility of CRMVC is to review and approve the validation of credit risk models and parameter estimation (PD, LGD and CCF).

- The Group Executive Management Credit Committee (GEM CC) and Executive Credit Committee (ECC) are chaired by the CRO and the Group Credit Committee Retail Banking (GCCR) and the Group Credit Committee Wholesale Banking (GCCW) by the Chief Credit Officer (CCO). These credit committees decide on major credit risk limits and industry policies for the Group. Credit risk limits are granted as individual limits for customers or consolidated customer groups as well 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 base and for management of liquidity risk and structured interest income risk.

Each customer area and product area is primarily responsible for managing the risks in its operations within the applicable limits and framework, including identification, control and reporting.

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 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 is regularly made to the Risk Committee, GEM and Board of Directors. Reporting of the internal required capital includes all types of risks and is reported regularly to ALCO. Group Internal Audit makes an independent evaluation of the processes regarding risk and capital management in accordance with the annual audit plan.

Risk management

Credit Risk management
Group Risk Management is responsible for the credit risk management framework, consisting of policies, instructions and guidelines for the Group.

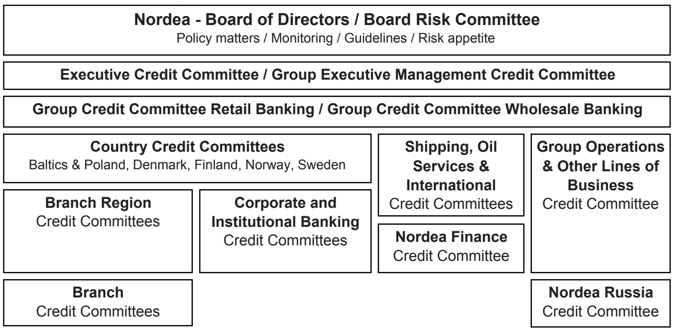
Each customer area and product area is primarily responsible for managing the credit risks in its operations, while Group Risk Management consolidates and monitors the credit risks on both Group and sub-levels.

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. The credit decision-making structure has been adjusted with effect from the third quarter 2011 to reflect the organisational changes in the

Group in the second quarter 2011. The GEM CC decides on proposals relating to principal issues.

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



Credit risk definition and identification

Credit risk is defined as the risk of loss if counterparts fail to fulfil their agreed obligations and 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 derivative contracts, transfer risk attributable to the transfer of money from another country and settlement risk. Risks in specific industries are followed by industry monitoring groups and managed through industry policies, which establish requirements and limits on the overall industry exposure.

Credit risk appetite

Nordea has defined its credit risk appetite as an expected loan loss level of 25 basis points over the cycle. Net loan losses over the past years show an average not exceeding this level.

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 recognised 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 and reported as non-performing 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 is influenced by up- and down-ratings of customers as well as new customers and customers leaving the portfolio. Also customers going to and from default affect the calculation. Collective impairment is assessed quarterly for each legal unit. The rationale for this two-step procedure with both individual and collective assessment is to ensure that all incurred losses are accounted for up to and including each balance sheet date.

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

Credit portfolio

Credit risk exposure 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. Exposure also includes the risk related to derivative contracts and security financing.

NBN's total loans increased by 9% to NOK 491bn (449) during 2011, mainly attributable to the increase in the household portfolio. Including off-balance sheet exposures and exposures related to securities, the total credit risk exposure at year end was NOK 676bn (575). Out of total lending to the public, corporate customers accounted for 55% (56) and household customers 45% (44). Loans to credit institutions, mainly in the form of inter-bank deposits, increased to NOK 27bn (10) at the end of 2011.

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

NOKm	31 Dec 2011	31 Dec 2010
To credit institutions	26,943	9,900
To the public	464,403	439,213
- of which corporate	254,283	246,345
- of which household	209,504	192,376
- of which public sector	616	492
Total loans and receivables	**491,346**	**449,113**
Off balance credit exposure [1]	107,592	102,286
Counterparty risk exposure [2]	2,477	1,065
Treasury bills and interest-bearing securities [3]	75,057	22,195
Total credit risk exposure	**676,472**	**574,659**

[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 2011 amounted to NOK 254bn (246). Industrial Commercial Services, Real Estate and Construction & Engineering were the sectors that increased the most in 2011. Real estate remains the largest sector in NBN's lending portfolio, at NOK 77bn (75). The portfolio predominantly comprises relatively large and financially strong companies.

Loans to Shipping & Offshore decreased 2% to NOK 41bn. The portfolio is well diversified, reflecting Nordea's global customer strategy, with an even distribution between Nordic and non-Nordic customers. However proactive risk management and follow-up on the existing portfolio will continue and remain high on the agenda.

The distribution of loans to corporates by size of loans shows a high degree of diversification where approx. 63% (66) 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 2011, loans to household customers increased by 9% to NOK 210bn (192). The increase is mainly attributable to a 10% increase in mortgage loans to NOK 201bn. Consumer loans have decreased to NOK 8bn. The proportion of mortgage loans of total household loans was 96% (95).

Geographical distribution

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

Loans to the public by industry

NOKm	31 Dec 2011
Energy (oil, gas etc)	10,200
Metals and mining materials	1,607
Paper and forest materials	571
Other materials (building materials etc.)	3,456
Industrial capital goods	999
Industrial commercial services, etc.	44,288
Construction and engineering	13,883
Shipping and offshore	41,068
Transportation	5,684
Consumer durables (cars, appliances etc)	6,031
Media and leisure	4,204
Retail trade	9,177
Consumer staples (food, agriculture, etc.)	12,573
Health care and pharmaceuticals	1,766
Financial institutions	12,578
Real estate	77,293
IT software, hardware and services	614
Telecommunication equipment	3
Telecommunication operators	530
Utilities (distribution and productions)	6,285
Other, public and organisations	1,473
Corporate	**254,283**
Household mortgages	201,430
Household consumer	8,074
Public sector	616
Total	**464,403**

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 76% (70) of the corporate exposure is rated 4- or higher and the portion of institutional exposure rated 5- or higher is 97% (93). About 83% (85) of the retail exposures are scored C- or higher.

Impaired loans

Impaired loans gross in NBN decreased during the year to NOK 4,014m from NOK 5,601m, corresponding to 81 basis points of total loans. 37% of impaired loans gross are performing loans and 63% are non-performing loans. Impaired loans net, after allowances for individually assessed impaired loans amounted to NOK 2,305m (3,283), corresponding to 47 basis points of total loans. Allowances for individually assessed loans decreased to NOK 1,709m from NOK 2,318m.

Allowances for collectively assessed loans decreased to NOK 290m from NOK 545m. The provisioning ratio was 50% (51). The sectors with the largest increases in impaired loans were Consumer Staples, Real Estate and Energy.

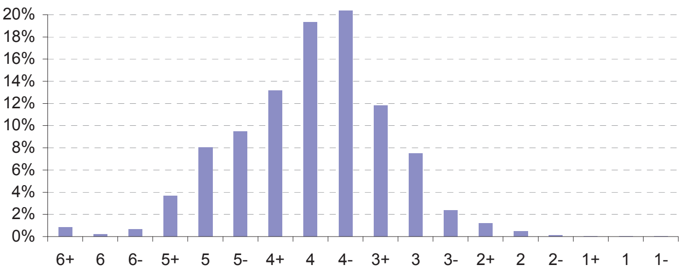
Past due loans to corporate customers that are not considered impaired increased to NOK 1,457m (1,054). The volume of past due loans to household customers not impared increased to NOK 4,391m (3,622) in 2011.

Assets taken over for protection of claims consist mostly of leased assets and only a marginal amount of shares, land and buildings.

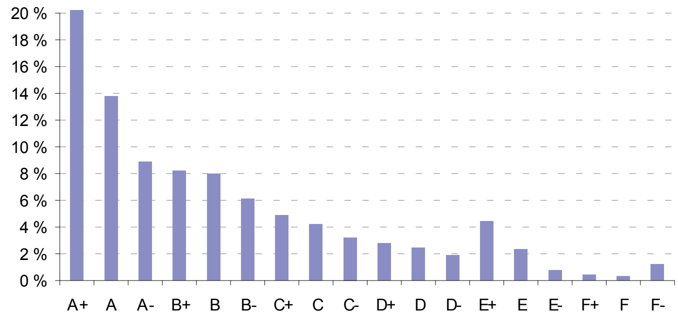
Impaired loans gross, including off-balance sheet items, and allowances by industry

NOKm	Impaired Loans, gross	Allowances (individual +collective)	Provisioning ratio (allowances/impaired loans)
Energy (oil, gas etc)	1	1	82%
Metals and mining materials	6	3	45%
Paper and forest materials	7	3	47%
Other materials (building materials etc.)	77	39	51%
Industrial capital goods	1	2	300%
Industrial commercial services, etc.	361	271	75%
Construction and engineering	172	103	60%
Shipping and offshore	1,292	555	43%
Transportation	34	22	63%
Consumer durables (cars, appliances etc.)	23	11	48%
Media and leisure	31	17	55%
Retail trade	209	144	69%
Consumer staples (food, agriculture, etc.)	83	51	61%
Health care and pharmaceuticals	2	2	102%
Financial institutions	18	21	119%
Real estate	1,005	389	39%
IT software, hardware and services	7	4	57%
Telecommunication equipment	0	0	0%
Telecommunication operators	1	1	56%
Utilities (distribution and productions)	1	1	139%
Other, public and organisations	0	1	116%
Corporate			
Household mortgages	321	136	42%
Household consumer	362	222	61%
Public sector	0	0	0%
Total impaired loans	**4,014**		
Allowances		**1,999**	
Provisioning ratio			**50%**

Rating distribution for the corporate portfolio



Rating distribution for the retail portfolio



Net loan losses

Loan losses were NOK 1,432m in 2011 (725). This corresponds to a loan loss ratio of 32 basis points. NOK 1,301m (733) relates to corporate customers and NOK 131m (-8) relates to household customers. The main losses were in the corporate sectors Shipping & Offshore and IT Software, Hardware & Services, as well as Retail Trade.

Net loan losses

NOKm	2011	2010
Net loan losses, Group	1,432	725
of which individual	1,688	1,309
of which collective	-256	-584

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

NOKm	2011	2010
Gross impaired loans, Group	4,028	5,617
of which performing	1,469	1,809
of which non-performing	2,559	3,808
Total allowance, Group	2,012	2,876
Provisioning ratio, Group	50%	51%

Counterparty risk

Counterparty credit risk is the risk that Nordea's counterpart in 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 2011 was NOK 2,477m, of which the current exposure net (after close-out and collateral reduction) represents NOK 416m. 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. Markets and Group Treasury are the key contributors to market risk in Nordea. Markets is responsible for the customer-driven trading activities, whereas Group Treasury is responsible for asset and liability management, liquidity buffer, investments, and funding activities for Nordea's own account. For all other banking activities, the basic principle is that market risks are eliminated by matching assets, liabilities and off-balance sheet items.

Market risk analysis

The total consolidated Value at Risk (VaR) was NOK 71m (89) at the end of 2011, demonstrating a considerable diversification effect between interest rate, equity, credit spread and foreign exchange risk, as the total VaR is lower than the sum of the risk in the four categories. The average VaR during 2011 was NOK 91m (121). The total consolidated VaR is mainly driven by interest rate risk.

The interest rate VaR was NOK 81m (71). The most significant part of the interest rate risk stems from interest rate positions denominated in US Dollar, Euro and Norwegian Kroner. The net interest rate sensitivity was NOK -56m (-245).

Consolidated market risk figures

NOKm	Measure	31 Dec 2011	2011 high	2011 low	2011 avg	31 Dec 2010
Total Risk	VaR	70.7	185.0	52.5	91.1	89.0
- Interest Rate Risk	VaR	81.4	206.6	50.6	97.9	71.4
- Equity Risk	VaR	2.7	8.7	0.9	2.9	3.2
- Credit Spread Risk	VaR	29.0	72.4	26.3	40.4	73.3
- Foreign Exchange Risk	VaR	12.5	16.6	0.6	6.9	4.0
Diversification effect		44%	47%	28%	39%	41%

Structural Interest Income Risk

Structural Interest Income Risk (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 re-pricing 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, targets 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 and for complying with Group wide targets.

SIIR measurement methods

The basic measures for SIIR are the two re-pricing gaps (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 (note that the table below also covers re-pricing gaps over NOK 12m). The re-pricing gaps are calculated under the assumption that no new market transactions are made during the period. Main elements of the customer behaviour and Nordea's decision-making process concerning Nordea's own rates are, however, taken into account. For example in a low interest rate environment, when rates are decreasing further, the total decrease of rates cannot be applied to non-maturity deposits since rates cannot be negative. Similarly in an increasing rate environment Nordea may choose not to increase interest rates on all customer deposits correspondingly.

SIIR analysis

At the end of the year, the SIIR for increasing rates was NOK 252m (-63) and the SIIR for decreasing market rates was NOK -252m (63). These figures imply that net interest income would increase if interest rates rise and decrease if interest rates fall.

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 defense.

The first line of defense is represented by the risk and compliance officer network in the business organisation, which ensures that operational and compliance risk is managed effectively within the Group.

Group Operational Risk and Compliance, representing the second line of defense, 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 self-assessment process which puts focus on the key risks, identified both through top-down Division management involvement and bottom-up reuse of 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.
Group Internal Audit, representing the third line of defense, 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 Group's liquidity strategy, managing the liquidity in the Group and for compliance with the Group wide limits set by the Group Board and by the CEO in GEM. Furthermore, Group Treasury develops the liquidity risk management frameworks, which consists of policies, instructions and guidelines for the whole Group as well as the principles for pricing the liquidity risk.

Liquidity risk management

Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due. Nordea's liquidity management and strategy is based on policy statements resulting in different 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 the Group's sources of funding and seeks to establish and maintain relationships with investors in order to manage the market access. Broad and diversified funding structure is reflected by the strong presence in the Group's four domestic markets in the form of a strong and stable retail customer base and the variety of funding programs. Funding programs are both short-term (US Commercial Papers, European Commercial Papers, Commercial Papers, Certificates of Deposits) and long-term (Covered bonds, European Medium Term Notes, Medium Term Notes) in diverse currencies. Nordea publishes periodically information on the liquidity situation of the Group to remain trustworthy at all times.

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 even Survival horizon metrics, which represents a combined liquidity risk scenario (idiosyncratic and market wide stress). Group Treasury is responsible for managing the liquidity and for compliance with the groupwide limits from the Boards of Directors and CEO in GEM.

Liquidity risk measurement methods

The liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. In order to manage short-term funding positions, Nordea measures the funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. 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. Limit is set by the Board of Directors for the minimum size of the liquidity buffer. The liquidity buffer consists of central bank eligible high-grade liquid securities held by Group Treasury that can be sold or used as collateral in funding operations.

During 2011 Basel Liquidity Coverage Ratio likewise Survival horizon metrics was introduced. In alignment with Basel, the Board of Directors has set a limit for a minimum survival of 30 days. The Survival horizon metrics is composed of Liquidity Buffer and Funding gap risk cash flows, but includes even expected behavioural cash flows from contingent liquidity drivers.

The structural liquidity risk of Nordea is measured and limited by the Board of Directors through the net balance of stable funding, 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 longer than 6 months, and shareholders' equity, while stable assets primarily comprise retail loans, other loans with a remaining term to maturity longer than 6 months and committed facilities. GEM has set as a target that the net balance of stable funding should be positive, which means that stable assets must be funded by stable liabilities.

Liquidity risk analysis

The short-term liquidity risk has been held at moderate levels throughout 2011. The average funding gap risk, i.e. the average expected need for raising liquidity in the course of the next 30 days, has been NOK -7.8bn (-14). Nordea Bank Norge's liquidity buffer has been in the range NOK 44.5 to 63.0bn (45 to 75) throughout 2011 with an average of NOK 53.4bn (54). Nordea Bank Norway's liquidity buffer is highly liquid, consisting of only central bank eligible securities held by Group Treasury. Survival horizon has been in range of NOK 3.9 to 101.3bn throughout 2011. This expresses the excess liquidity for set limit for 30 days. The aim of always maintaining a positive net balance of stable funding has been comfortably achieved throughout 2011. The yearly average for the net balance of stable funding was NOK 79.9bn (39).

Cash flow analysis

NOKm	On demand	0–3 months	3–12 months	1–5 years	>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 instuments, Nordea has credit commitments amounting to NOK 103,906m (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.

Capital management

Nordea strives to attain efficient use of capital through active management of the balance sheet with respect to different asset, liability and risk categories.

The goal is to enhance returns to the shareholder while maintaining a prudent capital structure.

Capital governance

The Board of Directors decides ultimately on the targets for capital ratios and capital policy in Nordea. The CEO in GEM decides on the overall framework of capital management.

Nordea's ability to meet targets and to maintain minimum capital requirements is reviewed regularly within the ALCO and the Risk Committee.

Pillar 1

Risk Weighted Assets (RWA) are calculated based on pillar 1 requirements. Nordea Bank Norge had 82% of the exposure covered by Internal Rating Based (IRB) approaches by the end of 2011. Nordea will implement the IRB approach for some remaining portfolios.

Nordea is also approved to use its own internal VaR models to calculate capital requirements for the major parts of the market risk in the trading books. With the adoption of the CRD III amendment, new risk types under the internal approach have been introduced. For Nordea Bank Norge this includes additional capital charge for stressed VaR. In addition, under the Standardised Approach the risk weights for specific equity risk have increased. The total CRD III impact for Nordea Bank Norge is an increase of NOK 1, 265m in market risk RWA.

For operational risk, the standardised approach is applied.

Capital Requirements *

NOKm	Capital requirement	RWA
Credit risk	**18,815**	**235,180**
IRB	16,932	211,636
– of which corporate	12,886	161,077
– of which institution	512	6,394
– of which retail	3,435	42,934
– of which retail SME	122	1,521
– of which retail real estate	2,481	31,015
– of which retail other	832	10,398
– of which other	99	1,231
Standardised	1,883	23,544
– of which sovereign	31	382
– of which retail	446	5,579
– of which other	1,406	17,583
Market risk	**418**	**5,227**
– of which trading book, Internal Approach	155	1,934
– of which trading book, Standardised Approach	263	3,293
– of which banking book, Standardised Approach	0	0
Operational risk	**1,615**	**20,193**
Standardised	1,615	20,193
Sub total	**20,848**	**260,600**
Adjustment for transition rules		
Additional capital requirement according to transition rules	5,485	68,563
Total	**26,333**	**329,163**

* For furter information see Note 37 Capital adequacy. Note that the comparative figures are not restated with respect to CRD III.

Pillar 2

Nordea bases the internal capital requirements under the ICAAP on pillar 1 and pillar 2 risks, which in practice means a combination of Capital Requirements Directive (CRD) risk definitions, Nordea's Economic Capital (EC) framework and buffers for periods of economic stress.

The ICAAP describes Nordea's management, mitigation and measurement of material risks and assesses the adequacy of internal capital by defining an internal capital requirement reflecting the risk appetite of the institution.

EC is based on quantitative models used to estimate the unexpected losses for each of the following major risk types: credit risk, market risk, operational risk, business risk and life insurance risk. Additionally, the EC models explicitly account for interest rate risk in the banking book, market risk in the investment portfolios, 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 stress test are considered, along with potential management interventions, in Nordea's internal capital requirement. The internal capital requirement is a key component of Nordea's capital ratio target setting.

Economic Profit

Nordea uses Economic Profit (EP) as one of its financial performance indicators. EP is calculated as risk-adjusted profit less cost of equity.

Risk-adjusted profit and EP are measures for shareholder value creation.

In investment decisions and customer relationships, EP drives and supports the right behaviour with a balanced focus on income, costs and risk. The EP model also captures both growth and return. EC and expected losses (EL) are input in the EP framework.

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 hybrid capital loan (perpetual loan) instruments (maximum 35% of tier 1). Profit may only be included after deduction of 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 the capital base

NOKm	31 Dec 2011	31 Dec 2010
Calculation of total capital base		
Equity	30,412	29,563
Proposed/actual dividend	-1,600	-2,500
Hybrid capital loans	4,937	1,694
Deferred tax assets	-269	-1,183
Intangible assets	-1,285	-427
IRB provisions excess (+)/shortfall (–)	-954	-923
Deduction for investments in credit institutions (50%)	-1	-1
Other items, net	-1	0
Tier 1 capital (net after deduction)	**31,239**	**26,223**
- of which hybrid capital	4,937	1,694
Tier 2 capital	**4,732**	**8,250**
– of which perpetual subordinated loans	1,306	2,870
IRB provisions excess (+)/shortfall (–)	-954	-923
Deduction for investments in credit institutions (50%)	-1	-1
Total capital base	**35,016**	**33,549**

Capital adequacy ratios

NOKm	31 Dec 2011	31 Dec 2010
RWA including transition rules	329,163	310,011
RWA excluding transition rules	260,600	262,110
Capital requirement including transition rules	26,333	24,801
Core tier 1 capital	26,302	24,529
Tier 1 capital	31,239	26,223
Capital base	35,016	33,549
Capital ratios excl. transition rules		
Core tier 1 capital ratio (%)	10.1%	9.4%
Tier 1 capital ratio (%)	12.0%	10.0%
Capital base ratio (%)	13.4%	12.8%
Capital adequacy quotient (Capital base /Capital requirement)	1.68	1.60
Capital ratios incl. transition rules		
Core tier 1 capital ratio (%)	8.0%	7.9%
Tier 1 capital ratio (%)	9.5%	8.5%
Capital base ratio (%)	10.6%	10.8%
Capital adequacy quotient (Capital base /Capital requirement)	1.33	1.35

Further information

Further information on capital management and capital adequacy is presented in Note 37 Capital adequacy and in the disclosure in accordance with the Pillar 3 requirements according to the CRD in the Basel II framework 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 2011 KPMG was reelected as auditor for the time period up to end of the Annual General Meeting 2012. State Authorised Public Accountant Arne Frogner is the auditor-in-charge for Nordea Bank Norge ASA.

Articles of association regulating the Board of Directors

New requirements in the Norwegian Accounting Act §3.3 b 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.

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 2011.

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 on great customer experiences that distinguish us from our competitors. Driven by customer focus and a desire to make it possible, employees are Nordea's best asset.

Creating the best team in the industry does not happen by chance. Not least in the area of people, you have to decide where to focus and what you want to accomplish, then agreeing to the actions that will get you there. Our People Strategy secure that Nordea has the right person in the right place at the right time, and emphasises that no organisation can grow unless the people develop and grow.

Nordea's Employee Satisfaction Survey (ESI) is a tool to get an overview of how our employees evaluate Nordea, and as a result identify and prioritise activities for how to make Nordea Great. NBN scored 69 on Satisfaction and Motivation for 2011, which is one point below the Norwegian financial labour market in general.

New Normal

Nordea has initiated one of the most ambitious New Normal plans for any bank in the world to ensure that Nordea can maintain its strong market position also under the new regulatory requirements. We have taken initiatives to increase efficiency in cost and capital and continue to grow. One cost efficiency measure is to reduce the number of employees by a total of 2,000 on group level over the next two years. For Nordea Bank Norge this means just about 200 FTEs. The aim is to do this in keeping with one of our core values "It's all about people" and to the degree possible, by means of voluntary solutions.

Focus on leadership

Leadership is the strongest individual driver for performance and building a company's culture. To make Nordea Great, focus on leadership is a must. Great leadership in 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. In Nordea, we have continued to build and further strengthen the leaders by providing development opportunities through Nordea's leadership programmes and coaching training. Leadership programmes range from programmes for potential leaders to executive education programmes.

New leaders are quickly onboarded by a special introduction programme providing them with information and supporting them in using tools and processes linked to their managerial role. Leaders with at least five years experience can attend the Experienced Leader programme. This programme aims to develop leaders to take a holistic perspective on how they best can support Nordea's strategies and ambitions. Managers in NBN spent above 600 days on various leadership programmes in 2011.

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 group 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 trough 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 over 600 participants so far. The retention rate is above 80%. 9 graduates started up in September 2011 in Nordea Bank Norge.

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 2011, 581 employees in Nordea were authorised according to the national authorisation standard (AFR).

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. 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

47.2% of the full-time employees of NBN are women. The share of females with personnel responsibility is 36.5% which is an increase from 2010 where the share was 34.5%. 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 501,000 and NOK 616,000, 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 value its employees independent of gender, age, disability or cultural background. An important goal for a large company as Nordea is to reflect the diversity in society. The individual qualifications should be the foundation for external recruitment and internal hires. We acknowledge that our employees have different motivation and ambition factors. 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 3,514 employees at the end of 2011. This represents 3,132 FTEs.

NBN recruited in total 190 persons in 2011, 74 of these were female and 116 were male. The average age of the recruited persons was 34 in 2011.

Sick leave

Sick leave amounted to 33,980 days in 2011, equivalent to 4.40% (4.69), adjusted for holidays and leave of absence. The relatively low sick leave percentage must be seen in connection with the systematically 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).

Five injuries to human beings have been reported due to accidents or other incidents in NBN in 2011.

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
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.

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 and LTIP 2011 based on the same principles with matching shares and performance shares. LTIP 2010 and LTIP 2011 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 AGM.

Environmental concerns
In accordance with Group Corporate Citizenship Principles, Nordea is committed to sustainable development by combining financial performance with environmental and social responsibility, caring for the environment and working to reduce the negative environmental impact of its business activities. The Nordea Group has adopted an environmental policy that provides guidance on how the group entities manage and control environmental issues in their own operations, supporting the reduction of related costs and business risks to the Group. The policy also guides policymaking and business initiatives regarding financial involvement by business units and cooperation with suppliers.

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.

A majority of the Bank's offices have systems for energy conserving heating and for turning the lightening down after working hours. Waste is as far as possible sorted according to their source material and contributes to recycling of resources. NBN has implemented guidelines for its traveling activities i.e. video- and telephone conferences replace physical meetings.

An increasing number of the NBN's financial services and daily operations are handled electronically, thus contributing to a lower use of resources.

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 2011 we continued to work towards that goal.

A bank's impact on society lies foremost in its core business. Financial services are vital for development, jobs and growth. By helping households and companies realise their plans and dreams we help build the future of our societies. Therefore our CSR work is primarily focused on our core business: responsible credits and responsible investments. Ten years ago Nordea began systematically analysing environmental, social, governance and political (ESG) risks through specific tools and training within corporate credits and trade and project finance. Likewise, Nordea's asset management has been dedicated to the UNPRI since 2007. Further progress was made within both areas in 2011.

In late 2011 the process for identifying ESG risks in the credit process was reviewed. The new process aims to identify risks earlier in the credit process and will be implemented during the first half of 2012.

More information on CSR can be found in the Annual Report 2011 of Nordea Bank AB (publ) and on www.nordea.com.

Outlook 2012

2011 has been a challenging year, and Nordea expects this to continue in 2012. Nordea is prepared with a robust capital position and competitive access to funding.

Nordea Bank Norge ASA
Oslo, 8 February 2012

Ari Kaperi
Chairman

Fredrik Rystedt
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 2011	Group 2010	Parent company 2011	Parent company 2010
Operating income					
Interest income		18,164	16,482	15,941	14,511
Interest expense		-9,815	-8,204	-8,686	-7,478
Net interest income	3	**8,349**	**8,278**	**7,255**	**7,033**
Fee and commission income		3,124	2,962	3,012	2,934
Fee and commission expense		-859	-789	-805	-788
Net fee and commission income	4	**2,265**	**2,173**	**2,207**	**2,146**
Net result from items at fair value	5	343	888	148	894
Profit/-loss from companies accounted for under the equity method	20	194	103	0	0
Dividends and group contribution	6	0	0	116	392
Other operating income	7	185	208	228	258
Total operating income		**11,336**	**11,650**	**9,954**	**10,723**
Operating expenses					
General administrative expenses:					
Staff costs	8	-3,209	-2,807	-3,068	-2,680
Other expenses	9	-1,954	-2,115	-1,883	-2,024
Depreciation, amortisation and impairment charges of tangible and intangible assets	10,21,22	-160	-154	-155	-145
Total operating expenses		**-5,323**	**-5,076**	**-5,106**	**-4,849**
Profit before loan losses		**6,013**	**6,574**	**4,848**	**5,874**
Net loan losses	11	-1,432	-725	-1,356	-611
Operating profit		**4,581**	**5,849**	**3,492**	**5,263**
Income tax expense	12	-1,234	-1,549	-940	-1,302
Net profit for the year		**3,347**	**4,300**	**2,552**	**3,961**
Attributable to:					
Shareholder of Nordea Bank Norge ASA		3,341	4,297	2,552	3,961
Non-controlling interests		6	3	0	0
Total		**3,347**	**4,300**	**2,552**	**3,961**
Basic/diluted earnings per share, NOK		6.07	7.80	4.63	7.18

Statements of comprehensive income

NOKm	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Net profit for the year	**3,347**	**4,300**	**2,552**	**3,961**
Currency translation differences during the year	1	–1	1	–1
Other comprehensive income, net of tax	**1**	**–1**	**1**	**–1**
Total comprehensive income	**3,348**	**4,299**	**2,553**	**3,960**
Attributable to:				
Shareholder of Nordea Bank Norge ASA	3,342	4,296	2,553	3,960
Non–controlling interests	6	3	0	0
Total	**3,348**	**4,299**	**2,553**	**3,960**

Nordea Bank Norge ASA
Oslo, 8 February 2012

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Gunn Wærsted
Chief Executive Officer

Nordea Bank Norge

Balance sheets

		Group		Parent company	
NOKm	Note	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Assets					
Cash and balances with central banks		5,299	11,608	5,289	11,608
Loans to credit institutions	13	26,943	9,900	56,552	40,009
Loans to the public	13	464,403	439,213	359,710	344,233
Interest-bearing securities	14	75,057	22,195	95,836	72,195
Financial instruments pledged as collateral	15	534	245	534	245
Shares	16	1,645	3,532	1,645	3,532
Derivatives	17	5,803	324	6,044	804
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	658	485	232	127
Investments in group undertakings	19	0	0	2,845	2,834
Investments in associated undertakings	20	1,277	1,199	417	417
Intangible assets	21	461	423	408	374
Property and equipment	22	303	292	301	288
Deferred tax assets	12	269	1,173	528	1,394
Current tax assets	12	0	0	23	0
Other assets	24	3,888	4,561	3,754	4,563
Prepaid expenses and accrued income	25	2,773	2,133	1,915	1,494
Total assets		**589,313**	**497,283**	**536,033**	**484,117**
Liabilities					
Deposits by credit institutions	26	239,470	196,870	239,494	196,905
Deposits and borrowings from the public	27	223,195	234,062	223,178	234,034
Debt securities in issue	28	51,471	11,367	2,505	2,096
Derivatives	17	2,005	3,707	3,310	3,707
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	618	17	0	17
Current tax liabilities	12	198	2,396	0	2,121
Other liabilities	29	28,583	6,276	28,653	6,291
Accrued expenses and prepaid income	30	2,368	1,873	1,259	1,216
Provisions	31	512	411	499	395
Retirement benefit obligations	32	1,087	1,199	1,048	1,164
Subordinated liabilities	33	9,394	9,542	9,394	9,542
Total liabilities		**558,901**	**467,720**	**509,340**	**457,488**
Equity					
Non-controlling interests		9	8	0	0
Share capital		3,860	3,860	3,860	3,860
Share premium reserve		953	953	953	953
Retained earnings		25,590	24,742	21,880	21,816
Total equity		**30,412**	**29,563**	**26,693**	**26,629**
Total liabilities and equity		**589,313**	**497,283**	**536,033**	**484,117**
Assets pledged as security for own liabilities	34	132,931	96,182	68,709	68,351
Contingent liabilities	35	1,703	1,304	5,410	5,029
Commitments	36	130,906	111,504	187,597	121,219

Statements of changes in equity

Group

NOKm	Share capital[1]	Share premium reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2011	**3,860**	**953**	**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**	**25,590**	**30,403**	**9**	**30,412**

NOKm	Share capital[1]	Share premium reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2010	**3,860**	**953**	**21,927**	**26,740**	**5**	**26,745**
Net profit for the year			4,297	4,297	3	4,300
Currency translation differences during the year			-1	-1		-1
Other comprehensive income, net of tax			-1	-1		-1
Total comprehensive income			4,296	4,296	3	4,299
Share-based payments[2]			18	18		18
Dividend for 2009			-1,500	-1,500		-1,500
Other changes			1	1		1
Balance at 31 Dec 2010	**3,860**	**953**	**24,742**	**29,555**	**8**	**29,563**

Parent company

NOKm	Share capital[1]	Share premium reserve	Retained earnings	Total equity
Balance at 1 Jan 2011	**3,860**	**953**	**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**	**21,880**	**26,693**

NOKm	Share capital[1]	Share premium reserve	Retained earnings	Total equity
Balance at 1 Jan 2010	**3,860**	**953**	**19,337**	**24,150**
Net profit for the year			3,961	3,961
Currency translation differences during the year			-1	-1
Other comprehensive income, net of tax			-1	-1
Total comprehensive income			3,960	3,960
Share-based payments[2]			17	17
Dividend for 2009			-1,500	-1,500
Other changes			2	2
Balance at 31 Dec 2010	**3,860**	**953**	**21,816**	**26,629**

[1] The share capital is NOK 3,859,510,032 (31 Dec 2010: 3,859,510,032) consisting of 551,358,576 shares at a par value of NOK 7.00.

[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 2011. 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

	Group		Parent company	
NOKm	2011	2010	2011	2010
Operating activities				
Operating profit	4,581	5,849	3,492	5,263
Adjustments for items not included in cash flow	1,730	446	1,545	843
Income taxes paid	-2,528	-2,399	-2,218	-2,328
Cash flow from operating activities before changes in operating assets and liabilities	**3,783**	**3,896**	**2,819**	**3,778**
Changes in operating assets				
Change in loans to credit institutions	-13,805	7,222	-29,303	1,427
Change in loans to the public	-26,645	-17,691	-16,850	64,177
Change in interest-bearing securities	-52,701	36,282	-23,480	-13,718
Change in financial assets pledged as collateral	-289	2,367	-289	2,367
Change in shares	1,603	-844	1,603	-846
Change in derivatives, net	-7,147	3,509	-6,040	3,032
Change in other assets	673	6,646	809	6,439
Changes in operating liabilities				
Change in deposits by credit institutions	42,600	-59,074	42,589	-62,064
Change in deposits and borrowings from the public	-10,867	16,897	-10,856	16,840
Change in debt securities in issue	40,104	7,627	409	-1,644
Change in other liabilities	22,307	-7,167	22,362	-7,071
Cash flow from operating activities	**-384**	**-330**	**-16,227**	**12,717**
Investing activities				
Liquidation of group undertakings	0	0	-11	22
Group contributions to group undertakings	0	0	0	-615
Dividend from associated undertakings	116	162	0	0
Acquisition of property and equipment	-98	-68	-97	-68
Sale of property and equipment	63	3	11	0
Acquisition of intangible assets	-113	-116	-104	-109
Sale of intangible assets	-1	0	-2	0
Sale of other financial fixed assets	0	1	0	0
Cash flow from investing activities	**-33**	**-18**	**-203**	**-770**
Financing activities				
Other changes in equity	6	19	11	19
Issued subordinated liabilities	-148	0	-148	0
Dividend paid	-2,500	-1,500	-2,500	-1,500
Cash flow from financing activities	**-2,642**	**-1,481**	**-2,637**	**-1,481**
Cash flow for the year	**-3,059**	**-1,829**	**-19,067**	**10,466**
Cash and cash equivalents at the beginning of year	**20,011**	**21,839**	**45,688**	**35,219**
Exchange rate difference	-12	1	-12	3
Cash and cash equivalents at the end of year	**16,940**	**20,011**	**26,609**	**45,688**
Change	**-3,059**	**-1,829**	**-19,067**	**10,466**

Comments on the cash flow statements

The cash flow statements have been prepared in accordance with IAS 7. The cash flow statements show 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 adjustments for items not included in cash flow and income taxes paid. Adjustments for non-cash items includes:

	Group		Parent company	
NOKm	2011	2010	2011	2010
Depreciation	158	147	152	138
Impairments charges	2	7	3	7
Profit/-loss from the companies accounted for under the equity method	-194	-103	0	0
Loan losses	1,455	778	1,373	662
Unrealised gains/losses	93	573	526	573
Capital gains/losses (net)	-59	-2	-7	0
Change in accruals and provisions	270	-947	-512	-530
Translation differences	0	-18	0	-18
Other	5	11	10	11
Total	**1,730**	**446**	**1,545**	**843**

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	2011	2010	2011	2010
Interest payments received	17,793	16,290	15,591	14,439
Interest expenses paid	9,469	8,152	8,609	7,497

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	2011	2010	2011	2010
Cash and balances with central banks	5,299	11,608	5,289	11,608
Loans to credit institutions, payable on demand	11,641	8,403	21,320	34,080
	16,940	**20,011**	**26,609**	**45,688**

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

Quarterly development

Group

NOKm	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	**YTD 2011**	**YTD 2010**
Net interest income	2,207	2,074	1,961	2,107	2,071	2,087	2,093	2,027	**8,349**	**8,278**
Net fee and commission income	540	531	646	548	579	552	584	458	**2,265**	**2,173**
Net result from items at fair value	38	155	117	33	231	91	445	121	**343**	**888**
Profit/–loss from companies accounted for under the equity method	102	64	15	13	60	– 5	93	– 45	**194**	**103**
Other income	48	66	38	33	44	70	45	49	**185**	**208**
Total operating income	**2,935**	**2,890**	**2,777**	**2,734**	**2,985**	**2,795**	**3,260**	**2,610**	**11,336**	**11,650**
General administrative expenses										
Staff costs	– 646	–1,059	–730	–774	– 534	– 774	– 772	– 727	**–3,209**	**–2,807**
Other expenses	– 496	– 466	–495	–497	– 557	– 570	– 489	– 499	**–1,954**	**–2,115**
Depreciation, amortisation and impairment charges of tangible and intangible assets	– 41	– 46	–35	–38	– 45	– 37	– 36	– 36	**– 160**	**– 154**
Total operating expenses	**–1,183**	**–1,571**	**–1,260**	**–1,309**	**–1,136**	**–1,381**	**–1,297**	**–1,262**	**–5,323**	**–5,076**
Profit before loan losses	**1,752**	**1,319**	**1,517**	**1,425**	**1,849**	**1,414**	**1,963**	**1,348**	**6,013**	**6,574**
Net loan losses	– 434	– 221	–247	–530	– 235	– 9	– 158	– 323	**–1,432**	**– 725**
Operating profit	**1,318**	**1,098**	**1,270**	**895**	**1,614**	**1,405**	**1,805**	**1,025**	**4,581**	**5,849**
Income tax expense	– 334	–302	–343	–255	– 488	– 387	– 410	– 264	**–1,234**	**–1,549**
Net profit for the period	**984**	**796**	**927**	**640**	**1,126**	**1,018**	**1,395**	**761**	**3,347**	**4,300**

Nordea Bank Norge Group - Five year overview

Income statements

NOKm	2011	2010	2009	2008	2007
Net interest income	8,349	8,278	9,070	8,402	6,146
Net fee and commission income	2,265	2,173	2,009	1,440	1,615
Net result from items at fair value	343	888	513	101	308
Profit/-loss from the companies accounted for under the equity method	194	103	-478	841	13
Other income	185	208	129	273	75
Total operating income	**11,336**	**11,650**	**11,243**	**11,057**	**8,157**
General administrative expenses:					
Staff costs	-3,209	-2,807	-3,257	-2,729	-2,615
Other expenses	-1,954	-2,115	-1,939	-1,793	-1,773
Depreciation, amortisation and impairment charges of tangible and intangible assets	-160	-154	-128	-139	-108
Total operating expenses	**-5,323**	**-5,076**	**-5,324**	**-4,661**	**-4,496**
Profit before loan losses	**6,013**	**6,574**	**5,919**	**6,396**	**3,661**
Net loan losses	-1,432	-725	-2,004	-651	105
Operating profit	**4,581**	**5,849**	**3,915**	**5,745**	**3,766**
Income tax expense	-1,234	-1,549	-1,281	-1,415	-930
Net profit for the year	**3,347**	**4,300**	**2,634**	**4,330**	**2,836**

Balance sheets

NOKm	2011	2010	2009	2008	2007
Interest-bearing securities	75,057	22,195	58,686	36,657	29,322
Loans to credit institutions	26,943	9,900	10,398	33,575	19,284
Loans to the public	464,403	439,213	422,300	446,527	360,219
Derivatives	5,803	324	1,738	7,409	668
Other assets	17,107	25,651	40,906	24,908	32,107
Total assets	**589,313**	**497,283**	**534,028**	**549,076**	**441,600**
Deposits by credit institutions	239,470	196,870	255,944	250,804	161,790
Deposits and borrowings from the public	223,195	234,062	217,165	235,407	217,771
Debt securities in issue	51,471	11,367	3,740	7,265	7,744
Derivatives	2,005	3,707	1,512	1,169	2,145
Subordinated liabilities	9,394	9,542	9,560	11,550	7,422
Other liabilities	33,366	12,172	19,362	15,735	21,941
Equity	30,412	29,563	26,745	27,146	22,787
Total liabilities and equity	**589,313**	**497,283**	**534,028**	**549,076**	**441,600**

Ratios and key figures

	2011	2010	2009	2008	2007
Earnings per share (EPS), NOK	6.07	7.80	4.78	7.85	5.14
Equity per share[1], NOK	55.16	53.62	48.51	49.23	41.33
Shares outstanding[1], million	551	551	551	551	551
Return on equity, %	11.6	15.6	10.1	17.6	13.2
Cost/income ratio, %	47	44	47	42	55
Core tier 1 capital ratio, excluding transition rules[1], %	10.1	9.4	8.9	8.0	8.9
Tier 1 capital ratio, excluding transition rules[1], %	12.0	10.0	9.5	8.7	8.9
Total capital ratio, excluding transition rules[1], %	13.4	12.8	12.2	11.9	12.1
Core tier 1 capital ratio[1,2], %	8.0	7.9	7.6	6.1	6.6
Tier 1 capital ratio[1,2], %	9.5	8.5	8.1	6.6	6.6
Total capital ratio[1,2], %	10.6	10.8	10.5	9.1	8.9
Core tier 1 capital[1], NOKm	26,302	24,529	23,836	23,530	21,638
Tier 1 capital[1], NOKm	31,239	26,223	25,509	25,566	21,639
Risk-weighted assets, incl transition rules[1], NOKbn	329	310	314	385	330
Loan loss ratio, basis points	32	17	45	18	-3
Number of employees (full-time equivalents)[1,3]	3,132	3,229	3,244	3,412	3,254

[1] End of period.

[2] Including transition rules.

[3] The figure for 2009 has been restated to not include employees on leave of absence. The figures for 2007 and 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 included in the financial statements may not add up to the total of that column.

On 8 February 2012 the Board of Directors approved the financial statements, subject to final approval at the Annual General Meeting on 7 March 2012.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2010 Annual Report, except for the categorisation of lending related commissions within Net fee and commission income.

The presentation in Note 2 Segment reporting has been updated in 2011, and comparative figures have been restated accordingly.

Below follows also a section covering changes in IFRS implemented in 2011, which have not had any significant impact on Nordea.

Categorisation of lending related commissions

The categorisation of lending related commissions within Net fee and commission income (Note 4) has been changed, in order to be better aligned with the purpose for which the fees are received. The change mainly relates to syndicated transactions. The comparable figures have been restated accordingly and the impact is disclosed in the table below.

	2011		2010	
NOKm	New policy	Old policy	New policy	Old policy
Lending	849	688	771	610
Other commission income	253	414	289	450

Changes in IFRS implemented in 2011

The IASB has amended IAS 24 Related Party Disclosures (Relationships with the state), IAS 32 Financial Instruments: Presentation (Rights issues) and IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction as well as published Improvements to IFRS 2010 and IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. These amended and published standards and improvements are effective for Nordea as from 1 January 2011, but have not had any significant impact on 2011. The amendment of IAS 32 may affect possible future rights issues involving different currencies, whilst the amendments to IAS 24 and IFRIC 14 as well as the published Improvements to IFRS 2010 and IFRIC 19 are not expected to have a significant impact on subsequent periods.

3. Changes in IFRS not yet effective for Nordea

IFRS 9 Financial instruments (Phase 1)

In 2009 IASB published a new standard on financial instruments. The standard is the first step in the replacement of IAS 39 Financial Instruments: Recognition and Measurement and this first phase covers classification and measurement of financial assets and liabilities. The effective date for Nordea is as from 1 January 2015, but earlier application is permitted. The EU commission has not endorsed this standard for implementation in 2011.

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 naturally dependent on the financial instruments in Nordea's balance sheet at transition.

Nordea has, due to the fact that the standard is not yet endorsed by the EU commission, 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

IASB has published three new standards relating to consolidation, IFRS 10, IFRS 11 and IFRS 12, as well as amended IAS 27 and IAS 28. The effective date for these standards and amendments for Nordea is as from 1 January 2013, but earlier application is permitted. The EU commission has not endorsed these standards and amendments for implementation in 2011.

The tentative assessment is that the new standards and amendments are not expected to have any significant impact on Nordea's income statement. The main potential impact is that the new definition of control can potentially lead to consolidation of funds, for instance mutual funds. The new standards furthermore include more extensive disclosure requirements which will have an impact on Nordea's disclosures covering consolidated and unconsolidated entities. It is not expected that the new standards and amendments will have a significant impact on the capital adequacy.

Nordea has, due to the fact that the standards and amendments are not yet endorsed by the EU commission, 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
IASB has published IFRS 13. The effective date for Nordea is as from 1 January 2013, but earlier application is permitted. The EU commission has not endorsed this standard for implementation in 2011.

The tentative assessment is that the new standard will not have a significant impact on Nordea's financial statements nor on its capital adequacy.

Nordea has, due to the fact that the standard is not yet endorsed by the EU commission, not finalised the investigation of the impact on the financial statements in the period of initial application or in subsequent periods.

IAS 19 Employee Benefits
IASB has amended IAS 19. The effective date for Nordea is as from 1 January 2013, but earlier application is permitted. The EU commission has not endorsed this amendment for implementation in 2011.

The tentative assessment is that 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.

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 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.

The unrecognised actuarial losses for NBN Group as per 31 December 2011 amount to NOK 1,392m before deduction of income tax. If Nordea has unrecognised actuarial losses at transition there will be a negative impact on equity. See Note 32 Retirement benefit obligations for more information.

As the amended IAS 19 has an impact on equity it is expected that there will be an impact also on the capital adequacy.

Other forthcoming changes in IFRS
IAS 1 Presentation of Financial Statements has been amended. The amended standard changes the presentation of other comprehensive income. The effective date for Nordea is as from 1 January 2013, but earlier application is permitted. The EU commission has not endorsed this standard for implementation in 2011.

IFRS 7 Financial Instruments: Disclosures has been amended and will lead to additional disclosures around transferred assets. The effective date for Nordea is as from 1 January 2012, but earlier application is permitted. The EU commission has endorsed this standard for implementation in 2011.

IAS 32 Financial Instruments: Presentation has been amended. 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. IFRS 7 Financial Instruments: Disclosures has furthermore been amended and will lead to additional disclosures around offsetting of financial assets and financial liabilities. The effective date for Nordea is as from 1 January 2014 for amendments to IAS 32 and from 1 January 2013 for amendments to IFRS 7, but earlier application is permitted. The EU commission has not endorsed these amendments for implementation in 2011.

The IASB has furthermore amended IFRS 1 First-time Adoption of International Financial Reporting Standards (Hyperinflation/Fixed dates) and IAS 12 Income taxes (Recovery of underlying asset) and published IFRIC 20 Stripping Costs in the Prodution Phase of a Surface Mine. The effective date for Nordea is as from 1 January 2012, but earlier application is permitted. The EU commission has not endorsed the amended standards and published interpretation for implementation in 2011.

The above mentioned amended standards, and interpretation not yet adopted, within the section Other forthcoming changes in IFRS, are not, in the period of initial application or in subsequent periods, expected to have any significant impact on the financial statements, apart from on disclosures, nor 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. The estimates are based on past experience and assumptions that management believes are fair and reasonable. These estimates and the judgement behind them affect the reported amounts of assets, liabilities and off-balance sheet items, as well as income and expenses in the financial statements presented. Actual outcome can later, to some extent, differ from the estimates and the assumptions made.

Certain accounting policies are considered to be particularly important to the financial position of Nordea, since they require management to make difficult, complex or subjective judgements and estimates, the majority of which relate to matters that are inherently uncertain. These 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 actuarial calculations of pension liabilities
- the valuation of deferred tax assets
- claims in civil lawsuits

Fair value measurement of certain financial instruments

Critical judgement is exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices in 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 that are observable

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 Group has a Group Valuation Committee that on an ongoing basis reviews critical judgements that are deemed to have a significant impact on fair value measurements.

See also the separate section 10 Determination of fair value of financial instruments, Note 20 Investments in associated undertakings, and Note 39 Assets and liabilities at fair value.

Impairment testing

Goodwill

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. This consists of an analysis to assess whether the carrying amount of goodwill is fully recoverable. The determination of the recoverable amount involves establishing the value in use, measured as the present value of the cash flows expected from the cash-generating unit, to which the goodwill has been allocated. The forecasts of future cash flows are based on Nordea's best estimates of future revenues and expenses for the cash-generating units to which goodwill has been allocated.

A number of assumptions and estimates have significant impact on these calculations and include parameters like macroeconomic assumptions, market growth, business volumes, margins and cost effectiveness. Changes to any of these parameters, following changes in market conditions, competition, strategy or other, affects the forecasted cash flows. Under current market conditions such changes are not expected to lead to any significant impairment charges of goodwill, but may do so in subsequent periods.

See also the separate section 15 Intangible assets and Note 21 Intangible assets.

Loans to the public/credit institutions

When testing individual loans for impairment, the most critical judgement, containing the highest uncertainty, relates to the estimation of the most probable future cash flows generated from the customer.

When testing a group of loans collectively for impairment, the key aspect is to identify the events and/or the observable data that indicate that losses have been incurred in the group of loans. Assessing the net present value of the cash flows generated by the customers in the group contains a high degree of uncertainty when using historical data and the acquired experience when adjusting the assumptions based on historical data to reflect the current situation.

See also the separate section 13 Loans to the public/credit institutions and Note 13 Loans and impairment.

Actuarial calculations of pension liabilities and plan assets related to employees

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 most important financial parameter is the discount rate. Other parameters like assumptions about salary increases and inflation are based on the expected long-term development of these parameters. The fixing of these parameters at year-end is disclosed in Note 32 Retirement benefit obligations.

The major part of the assets covering the pension liabilities is invested in liquid assets and valued at market price at year-end. The expected return on plan assets is fixed taking into account the asset composition and based on long-term expectations on the return on the different asset classes. The expected return is also disclosed in Note 32 Retirement benefit obligations.

See also the separate section 19 Employee benefits and Note 32 Retirement benefit obligations.

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 17 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.

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 per cent 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 purchase method. Under the purchase method, the acquisition is regarded as a transaction whereby the parent company indirectly acquires the subsidiary'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, plus costs directly attributable to the business combination. When the cost of the business combination 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.

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.

Equity and net income attributable to non-controlling interests are separately disclosed in the balance sheet, income statement and statement of comprehensive income. In the consolidation process the reporting from the subsidiaries 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 per cent and/or where Nordea has significant influence. 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 companies are not eliminated. Nordea does not have any transactions covering sales of assets with associated companies.

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 directly in equity. Information on the most important exchange rates is disclosed in the separate section 24 Exchange rates.

6. Recognition of operating income and impairment

Net interest income

Interest income and interest expense are calculated and recognised based on the effective interest rate method or, if considered appropriate, based on a method that results in an interest income or interest expense that is a reasonable approximation of using the effective interest rate method as basis for the calculation.

Interest income and interest expense related to all balance sheet items in Markets are recognised in the income statement on the line Net result from items at fair value. Interest income and expense connected to internal placements by and internal funding of Markets are replaced with the related Group external interest income and interest expense and recognised on the line Net result from items at fair value.

Interest on derivatives used for hedging is also recognised in Net interest income, as well as fees that are considered to be an integral part of the effective interest rate of a financial instrument.

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
- Foreign exchange gains/losses

Interest income and interest 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 includes also 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 companies. Nordea's share of items accounted for in other comprehensive income in the associated companies 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 company'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 company. Subsequently the investment in the associated company increases/decreases with Nordea's share of the post-acquisition change in net assets in the associated company 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 companies. For some associated companies not individually significant the change in Nordea's share of the net assets is based on the external reporting of the associated companies and affects the financial statements of Nordea in the period in which the information is available. The reporting from the associated companies is, if applicable, adjusted to comply with Nordea's accounting policies.

Other operating income

Net gains from divestments of shares in subsidiaries and associated companies and 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 companies 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 companies are assessed for impairment annually. If observable indicators (loss events) indicate that an associated company 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 from the balance sheet on the trade date (reclassified to the items Other assets or Other liabilities in the balance sheet between trade date and settlement 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 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

IAS 39 includes principles and rules concerning accounting for hedging instruments and the underlying hedged items. 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.

The hedge accounting policy within Nordea has been developed to fulfil the requirements set out in IAS 39. 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. The overall purpose is to have a true and fair presentation of Nordea's economical hedges in the financial statements. The overall operational responsibility to hedge positions and for hedge accounting lies within Group Treasury.

There are three forms of hedge accounting:
- Fair value hedge accounting
- Cash flow hedge accounting
- Hedges of net investments

Fair value hedge accounting

Nordea Bank Norge only applies 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.

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 percent.

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.

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 time it was last proven effective, be accounted for in the income statement. For fair value hedges, the change in the fair value of 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.

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

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

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. 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)

Fair value is calculated as the theoretical net present value of the individual contracts, based on independently sourced market parameters and assuming no risks and uncertainties. This calculation is supplemented by a portfolio adjustment. The portfolio adjustment covers uncertainties associated with the valuation techniques, model assumptions and unobservable parameters as well as the portfolio's counterparty credit risk and liquidity risk. An important part of the portfolio adjustment serves to adjust the net open market risk exposures from mid prices to ask or bid prices (depending on the net position). For different risk categories, exposures are aggregated and netted according to internal guidelines, and aggregated market price information on bid-ask spreads are applied in the calculation. Spreads are updated on a regular basis.

The portfolio adjustment for uncertainties associated with model assumptions comprises two components (the calculation principles are defined as part of the internal approval process for valuation models):

- Benchmarking of the model output (market values) against market information or against results from alternative models, where available
- Sensitivity calculations where unobservable parameters are changed to other reasonable values

The portfolio adjustment for counterparty risk in OTC-derivatives is based on the current exposure towards each counterpart, the estimated potential future exposure as well as an estimate of the cost of hedging the counterparty risk. This cost of hedging is either based directly on market prices (where available) or on a theoretical calculation based on the internal credit rating of the counterpart.

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 39 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 39 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 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 38 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 at 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, 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 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
- 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 Impairment of securities held as financial non-current assets 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-bearing 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 is 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.

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 of financial instruments in the balance sheet as well as Note 38 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 category 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 category 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.

In the process to conclude whether there is objective evidence of impairment, an assessment is performed to estimate the most probable future cash flows generated by the customer. These cash flows are then discounted by the effective interest rate giving the net present value. Collaterals received to mitigate the credit risk will be assessed at fair value. If the carrying amount of the loan is higher than the net present value of the estimated future cash flows, including the fair value of the collaterals, the loan is impaired.

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
All loans not impaired on an individual basis are collectively assessed for impairment, including individually insignificant loans. This means that significant loans not impaired on an individual level and insignificant loans that have not been tested on an individual level are collectively tested for impairment. The 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, but not yet affected the cash flow from the group of loans. 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.

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

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 to 25 years with renewal options. The lease agreements include no transfers of ownership 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 companies is not tested for impairment separately, but included in the total carrying amount of the associated company. The policies covering impairment testing of associated companies 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 3 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 5 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 cash inflows in relation to the asset. 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. 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 subsidiaries and associated companies 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. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

18. 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.

19. 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). Non-funded pension plans are recognised as defined benefit obligations.

Pension costs

The pension calculations are carried out in accordance with IAS 19.

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. 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 32 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.

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. In Norway where no such market exists, the discount rate is determined by reference to government bond yields.

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 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.

20. 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.

Other reserves
Other reserves comprise income and expenses, net after tax effects, which are reported in equity in accordance with IFRS. These reserves include fair value reserves for 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 companies, after the acquisition date for NBN Group.

21. 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.

22. Share-based payment

Equity-settled programmes
Nordea Bank AB (publ.) has annually issued Long Term Incentive Programmes from 2007 through 2011. Key employees in Nordea Bank Norge Group also participate in these programmes and are granted share-based and 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 shall be 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, and 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 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.

23. 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 Nordea 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 Nordea 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, 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.

24. Exchange rates

EUR 1 = NOK	2011	2010
Income statement (average)	7.7946	8.0080
Balance sheet (year-end)	7.7540	7.8000
USD 1 = NOK		
Income statement (average)	5.6049	6.0370
Balance sheet (year-end)	5.9927	5.8375
SEK 1 = NOK		
Income statement (average)	0.8635	0.8389
Balance sheet (year-end)	0.8701	0.8700
DKK 1 = NOK		
Income statement (average)	1.0462	1.0753
Balance sheet (year-end)	1.0430	1.0465

Note 2:

Segment reporting[1]

			Wholesale Banking															
Income statement,	Retail Banking NO		CIB Norway		Shipping, Offshore & Oil Services		Other Wholesale[5]		Group Corporate Centre		Other segments[5]		Total Operating segments		Reconciliation[2]		Total Group	
NOKm	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income	5,285	4,993	844	873	1,297	1,368	168	113	1,352	1,183	-65	7	8,881	8,537	-532	-259	8,349	8,278
Net fee and commission income	1,660	1,600	573	568	355	342	393	117	32	25	-432	-454	2,581	2,198	-316	-25	2,265	2,173
Net result from items at fair value	691	764	283	110	102	160	333	497	-21	-21	1	1	1,389	1,511	-1,046	-623	343	888
Profit from companies accounted for under the equity method	0	0	0	0	0	0	0	0	0	0	162	204	162	204	32	-101	194	103
Other income	21	26	-1	-6	0	1	3	42	-6	-6	159	98	176	155	9	53	185	208
Total operating income	**7,657**	**7,383**	**1,699**	**1,545**	**1,754**	**1,871**	**897**	**769**	**1,357**	**1,181**	**-175**	**-144**	**13,189**	**12,605**	**-1,853**	**-955**	**11,336**	**11,650**
Staff costs	-1,630	-1,637	-42	-32	-118	-100	-738	-712	-45	-48	-319	-302	-2,892	-2,831	-317	24	-3,209	-2,807
Other expenses	-2,589	-2,498	-379	-439	-156	-163	-5	359	-141	-124	451	303	-2,819	-2,562	865	447	-1,954	-2,115
Depreciation, amortisation and impairment charges of tangible and intangible assets	-52	-52	0	0	0	0	-3	-4	0	0	-28	-35	-83	-91	-77	-63	-160	-154
Total operating expenses	**-4,271**	**-4,187**	**-421**	**-471**	**-274**	**-263**	**-746**	**-357**	**-186**	**-172**	**104**	**-34**	**-5,794**	**-5,484**	**471**	**408**	**-5,323**	**-5,076**
Net loan losses	-303	-65	-419	-435	-623	-344	13	30	-16	-37	-61	-29	-1,409	-880	-23	155	-1,432	-725
Operating profit	**3,083**	**3,131**	**859**	**639**	**857**	**1,264**	**164**	**442**	**1,155**	**972**	**-132**	**-207**	**5,986**	**6,241**	**-1,405**	**-392**	**4,581**	**5,849**
Income tax expense[6]	-829	-830	-231	-169	-231	-335	-44	-116	-311	-258	36	55	-1,610	-1,653	376	104	-1,234	-1,549
Net profit for the year	**2,254**	**2,301**	**628**	**470**	**626**	**929**	**120**	**326**	**844**	**714**	**-96**	**-152**	**4,376**	**4,588**	**-1,029**	**-288**	**3,347**	**4,300**
Balance sheet, NOKbn																		
Loans to the public	369	340	30	35	51	59	14	5	0	0	0	0	464	439	0	0	464	439
Deposits and borrowings from the public	163	146	35	52	18	27	7	9	0	0	0	0	223	234	0	0	223	234

Reconciliation between total operating segments and financial statements

	Total operating income, NOKm[1,4]		Operating profit, NOKm[1,4]		Loans to the public, NOKbn		Deposits and borrowings from the public, NOKbn	
	2011	2010	2011	2010	2011	2010	2011	2010
Total operating segments	13,189	12,605	5,986	6,241	464	439	223	234
Reconciliation[2]	-277	514	-541	446	0	0	0	0
Eliminations	-125	-84	0	0	0	0	0	0
Differences in accounting policies[3]	0	0	21	21	0	0	0	0
Differences in accounting policies between the segments and the group regarding Markets	-1,451	-1,385	-885	-859	0	0	0	0
Total	**11,336**	**11,650**	**4,581**	**5,849**	**464**	**439**	**223**	**234**

[1] As from the third quarter 2011 the segment reporting has been changed as a consequence of organisational changes, including a more precise allocation of funding costs. 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, eliminations and allocations related to Markets as per footnote 4 below.

[3] Internally developed and bought software is expensed as incurred in the operating segments, but capitalised as required by IAS 38 in the entity's balance sheet.

[4] 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.

[5] 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.

[6] Income tax expense has been allocated amongst the segments based on internal reporting to the chief operating decision maker (GEM). These changes have been restated for 2010.

Note 2:
Segment reporting cont.

Change in basis of segmentation and measurement of segment profit or loss
A new organisation has been established in the third quarter 2011, developed around the three main business areas Retail Banking, Wholesale Banking and Wealth Management. In addition a business unit called Group Operation & Other Lines of Business (GOOLB) has been established. A new operating segment named Corporate & Institutional Banking has been established in the fourth quarter 2011, including the former division Corporate Merchant Banking, previously included in Nordic Banking, and the former operating segment Financial Institutions.

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. Corporate & Insitutional Banking is a customer oriented organisation serving the largest globally operating corporates. The segment 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 to private banking, institutional asset management and large corporate pension customers. The segment GOOLB supports the Group in realising greater efficiencies and governs Nordea Finance. The segment Group Corporate Center is responsible for strategy, the finance function and obtaining funding for the Group.

The accounting policies of the operating segments complies with the Group's significant accounting policies described in Note 1 Accounting policies, except for that software is expensed as incurred in the operating segments, but capitalised as required by IAS 38 in the Group's balance sheet.

Total operating income split on product groups

NOKm	2011	2010
Banking products	10,040	9,383
Capital Markets products	899	1,614
Savings Products & Asset Management	117	110
Life & Pensions	60	57
Other	220	486
Total	**11,336**	**11,650**

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. Asset Management includes Investment funds, Discretionary Management, Portfolio Advice and Pension Accounts. Investment Funds is a bundled product where the fund company invest 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	2011	2010	2011	2010
Interest income				
Loans to credit institutions	516	278	1,201	915
Loans to the public	16,529	15,091	12,673	11,677
Interest-bearing securities	713	755	1,688	1,561
Other interest income	406	358	379	358
Interest income	**18,164**	**16,482**	**15,941**	**14,511**
Interest expense				
Deposits by credit institutions	-1,936	-1,955	-1,942	-1,977
Deposits and borrowings from the public	-4,534	-3,900	-4,533	-3,942
Debt securities in issue	-1,092	-852	-64	-116
Subordinated liabilities	-193	-145	-193	-145
Other interest expenses[1]	-2,060	-1,352	-1,954	-1,298
Interest expense	**-9,815**	**-8,204**	**-8,686**	**-7,478**
Net interest income	**8,349**	**8,278**	**7,255**	**7,033**

[1] 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 17,861m (16,076) for the Group and NOK 14,663m (13,299) for the parent company. Interest expenses from financial instruments not measured at fair value through profit and loss amounts to NOK -7,583m (-6,499) for the Group and NOK -6,558m (-5,820) for the parent company.

Net interest income

	Group		Parent company	
NOKm	2011	2010	2011	2010
Interest income	17,755	16,042	15,941	14,511
Leasing income, net[1]	409	440	0	0
Interest expenses	-9,815	-8,204	-8,686	-7,478
Total	**8,349**	**8,278**	**7,255**	**7,033**

[1] Refers to finance leases where the Group is the lessor.

Note 4:
Net fee and commission income

	Group		Parent company	
NOKm	2011	2010	2011	2010
Asset management commissions	65	63	65	63
Life insurance	60	56	60	56
Brokerage	471	410	471	410
Custody	144	144	144	144
Deposits	52	48	52	48
Total savings related commissions	792	721	792	721
Payments	342	356	343	356
Cards	801	732	801	732
Total payment commissions	1,143	1,088	1,144	1,088
Lending[1]	849	771	732	743
Guarantees and documentary payments	87	93	87	93
Total lending related to commissions	936	864	819	836
Other commission income[1]	253	289	257	289
Fee and commission income	**3,124**	**2,962**	**3,012**	**2,934**
Payment expenses	-626	-615	-626	-615
Other commission expenses	-233	-174	-179	-173
Fee and commission expense	**-859**	**-789**	**-805**	**-788**
Net fee and commission income	**2,265**	**2,173**	**2,207**	**2,146**

[1] Restated, 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 901m (658) for the Group and NOK 784m (630) 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 596m (529) for the Group and NOK 596m (529) 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 company	
NOKm	2011	2010	2011	2010
Shares/participations and other share-related instruments	148	587	147	601
Interest-bearing securities and other interest-related instruments	13	157	-129	153
Other financial instruments	0	-3	0	-3
Foreign exchange gains/losses	182	147	130	143
Total	**343**	**888**	**148**	**894**

Net result from categories of financial instruments

	Group		Parent company	
NOKm	2011	2010	2011	2010
Available for sale assets, realised	27	392	27	407
Financial instruments designated at fair value through profit or loss	-162	110	-162	110
Financial instruments held for trading[1]	493	398	282	392
Financial instruments under hedge accounting	-8	-12	8	-15
of which net gains/losses on hedging instruments	363	-409	-133	-54
of which net gains/losses on hedged items	-371	397	141	39
Financial assets measured at amortised cost	-7	0	-7	0
Total	**343**	**888**	**148**	**894**

[1] Of which deferred day one profits amounts to NOK 0m for 2011 (0) for the Group and NOK 0m for 2011 (0) for the parent company.

Note 6:
Dividends and group contribution

	Parent company	
NOKm	2011	2010
Investments in group undertakings	0	230
Investments in associated undertakings	116	162
Total	**116**	**392**

Note 7:
Other operating income

	Group		Parent company	
NOKm	2011	2010	2011	2010
Income from real estate	32	46	11	15
Disposals of tangible and intangible assets	62	0	10	0
Other	91	162	207	243
Total	**185**	**208**	**228**	**258**

Note 8:
Staff costs

	Group		Parent company	
NOKm	2011	2010	2011	2010
Salaries and remunerations	2,349	2,211	2,241	2,109
Pension costs (see specification below)	307	128	297	123
Social security contributions	380	333	363	317
Allocation to profit-sharing[1]	15	6	13	6
Other staff costs	158	129	154	126
Total	**3,209**	**2,807**	**3,068**	**2,681**

[1] Allocation to profit-sharing foundation 2011 consists of a new allocation of NOK 28m and a release related to prior years of NOK 13m.

Pension costs (excluding social charges)	Group		Parent company	
NOKm	2011	2010	2011	2010
Defined Benefit plans (Note 32)	336	-220	327	-212
Defined Contribution plans (Note 32)	-29	348	-30	335
Total	**307**	**128**	**297**	**123**

Number of employees/full time positions				
Full-time equivalents as at 31.12	3,132	3,229	2,965	3,059
Number of employees as at 31.12	3,514	3,524	3,327	3,339
Average full time equivalents	3,249	3,536	3,080	3,356
Gender distribution Board of Directors				
Percent at year-end				
- Men	73	69	60	60
- Women	27	31	40	40

Additional disclosure on remuneration

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) in due time before the Annual General meeting in Nordea Bank AB (publ).

Statement to the annual general meeting 2012 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 2012:

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 2011 the compensation was fixed at NOK 1,500,000, the same level as in 2007, 2008, 2009 and 2010.

The CEO did not receive any bonuses or non-monetary benefits from Nordea Bank Norge ASA for 2011, and did not receive any remuneration in form of shares, options, etc. in NBN in 2011, 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 2011, an individual incentive scheme also applied to senior executives, comprising a variable salary part, VSP. This scheme is contingent upon the management's decision, and also to predetermined criteria and limited to a percentage of the regular, fixed salary.

The variable salary part, VSP, is a maximum of 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.

Note 8:
Staff costs cont.

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, since LTIP 2010, is allotted one matching share and up to three performance shares, conditional upon fulfillment of certain performance conditions during the three year vesting period.

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 and LTIP 2011 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 AGM.

More information on the LTIP 2007, LTIP 2008, LTIP 2009, LTIP 2010 and LTIP 2011 can be found at www.nordea.com, as well as in Annual Report of Nordea Bank AB (publ) for previous years. The Board Remuneration Committee conducted a survey during autumn 2011 targeting present and earlier participants in LTIP still employed in Nordea. The facts, the results from the survey, the feedback from management and Nordea's financial performance clearly showed that LTIP in Nordea serves its purpose: Increasing the ability to attract and retain talents, contribute to align the organisation to the financial targets and to create an incentive for the participants to deliver excellent operating results.

The Board of Directors of Nordea Bank AB (publ) has decided to propose a Long-Term Incentive Programme (LTIP 2012) to the Annual General Meeting 2012 based on similar principles as LTIP 2010 and LTIP 2011 although changing the financial targets. The financial target related to Risk Adjusted Profit is proposed to be replaced by a financial target related to Return On Equity to better reflect Nordea's current strategy. The financial target related to Total Shareholder Returns is proposed to be replaced by a financial target related to Price to Book to better reflect what distinguishes a successful bank after three years. The proposal for LTIP 2012 will be presented to the shareholders in the notice of the AGM 2012.

The programme covers 56 senior executives in Nordea Bank Norge ASA included from 2007, 51 senior executives included from 2008, 57 senior executives included from 2009, 61 senior executives included from 2010 and 57 senior executives included from 2011.

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

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 been 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.

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

Effects on the company in 2011
The above principles and guidelines have been in practice over time, and have been complied with in 2011, 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 special effects for the company or the shareholders.

Guidelines for 2012
The principles and guidelines described above will also apply to 2012. However, necessary adjustments will be done in line with amendments of relevant laws and regulations concerning incentive programmes and 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. The bonus available is agreed to be set as a percentage of regular fixed salary. 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 – include changes in the individual's accrued rights under the defined benefit plan during the year. The amount stated equals the annual change in the present value of the pension obligations (PBO) exclusive of social security tax, best reflecting the change in pension right for the year.

Loans – total loan engagement as of 31 December 2011. 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.

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

Name and position	Fixed salary and fees	Variable salary	Benefits	Pensions	**Total remuneration**	Loans
Gunn Wærsted, CEO [1]						6,775
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	1,267
Total CEO and Board of Directors of NBN ASA[1]	**1,091**	**13**	**21**	**58**	**1,183**	**8,050**
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**
Inger Johanne Lund, Leader	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**
Total Board of Representatives of NBN ASA [3]	**2,810**	**215**	**154**	**1,010**	**4,189**	**9,051**
Total remuneration and loans to Senior Executives	**4,424**	**228**	**175**	**1,068**	**5,895**	**17,101**

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 a related company, Skjeberg Investment AS and it's subsidiary Glomma Papp AS. Nina Iversen, member of the Board of Representative, has interests in Skjeberg Investment AS. 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. Loans to Glomma Papp AS amounted to NOK 11,665,664 at year end and interest income from Glomma Papp AS amounts to NOK 1,012,941 in 2011. Interest paid to Skjeberg Investment AS and Glomma Papp AS totals NOK 855,827 during the year.

Note 8:
Staff costs cont.

Salaries and remuneration – per individual, figures in NOK thousand, 2010

Name and position	Fixed salary and fees	Variable salary	Benefits	Pensions	**Total remuneration**	Loans 31 Dec
Gunn Wærsted, CEO [1]						3,008
Ari Kaperi, Chairman of the Board (18.6.–31.12.2010) [1]						
Christian Clausen, Chairman of the Board (1.1.–18.6.2010) [1]						
Fredrik Rystedt (18.6.–31.12.2010) [1]						
Carl-Johan Granvik (1.1.–18.6.2010) [1]						
Karin S. Thorburn (15.3.–31.12.2010)	154				154	
Hege M. Norheim (1.1.–15.3.2010)	33				33	
Mary Helene Moe	183				183	
Steinar Nickelsen, employees' representative	701	71	7	–601	178	1,368
Total CEO and Board of Directors of NBN ASA[1]	**1,071**	**71**	**7**	**–601**	**548**	**4,376**
Ari Kaperi, Chairman of the Board (16.8.–31.12.2010) [1]						
Karin S. Thorburn (16.8.–31.12.2010)	9				9	
Total Board Audit Committee of NBN ASA [1]	**9**	**0**	**0**	**0**	**9**	**0**
Inger Johanne Lund, Leader of the Control Committee	174				174	
Odd Svang-Rasmussen [2]	105				105	
Christian Hambro (31.3.–31.12.2010)	86				86	
Janicke L. Rasmussen (31.3.–31.12.2010)	79				79	
Finn Fadum (1.1.–31.3.2010) [3]	31				31	
Jan T. Bjerke (1.1.–31.3.2010)	30				30	
Total Control Committee of NBN ASA	**506**	0	0	0	**506**	0
Total Board of Representatives of NBN ASA[4]	**1,853**	**317**	**9**	**–3,405**	**–1,226**	**9,051**
Total remuneration and loans to Senior Executives	**3,438**	**388**	**16**	**–4,006**	**–164**	**13,427**

[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 1m to NB AB in 2010. In addition, as a compensation to NB AB for the work relating to the position as CEO of NBN ASA, the Board of Representatives has approved an amount of NOK 1.5m for 2010.

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 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] Member of Control Committees in both NBN and NFN. In addition to the fee shown in the table, NOK 40,000 was remunerated from NFN regarding the membership in the Control Committee.

[4] Total fee paid in 2010 to all members of the Board of Representatives in NBN was NOK 214,000, of which NOK 167,200 was paid to external members not employed by Nordea. All attending members received NOK 3,600 for each of the three meetings during the year. Loans to external members amounted to NOK 4,555,004 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, Hege Yli Melhus, Anders Utne, John Giverholt, Eli Skrøvset, Inger Johanne Lund, Sissel Stenberg, Petter Faye-Lund, Stein Wessel-Aas 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 10,800 for the services: Hans Christian Riise, Karin Olaug Skattebo, Lars Vambheim, Oddvar Hauge, Erik A. Gunnestad, Arve Sæther, Hedda H. Grundt 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.

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 personnel in NBN Group are part of the NB AB's new share option programme, referred to above as Long Term Incentive Programme, LTIP. Further information relating to this will be disclosed in NB AB's annual report. 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 6.6bn as of 31 December 2011. The interest income totalled NOK 14.5m on these loans in 2011. The effect is included in net interest income.

Cash-settled share-based payment transaction

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-year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories.

	Group	
NOKt	2011	2010
Deferred TSR-linked compensation 1. Jan	19,663	0
Accrued deferred/retained TSR-linked compensation during the year [1]	15,481	17,440
TSR indexation during the year	–6,975	2,223
Payments during the year [2]	–6,554	0
Deferred TSR-linked compensation 31. Dec	**21,615**	**19,663**

[1] Of which NOK 4,955,324 is available for disposal by the employees in 2012.

[2] There have been no adjustments due to forfeitures in 2011.

Note 9:
Other expenses

	Group		Parent company	
NOKm	2011	2010	2011	2010
Information technology [1]	614	745	606	723
Marketing and entertainment	152	169	141	160
Postage, transportation, telephone and office expenses	208	198	204	190
Rents, premises and real estate	457	417	455	404
Other [2]	523	586	477	547
Total	**1,954**	**2,115**	**1,883**	**2,024**

[1] Refers to IT operations, service expenses and consultant fees. Total IT-related costs including staff etc, were NOK 770m (892) for the Group and NOK 762m (871) for the Parent company.

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

Auditors' fees

During the year the Group has expensed fees of NOK 6.1m including VAT to its external auditors (NOK 3.5m for the parent) whereof NOK 4.2m (NOK 3.4m for the parent) was related to auditing functions and NOK 1.9m (NOK 0.1m for the parent) to advisory and other services.

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

	Group		Parent company	
NOKm	2011	2010	2011	2010
Depreciation/amortisation				
Property and equipment (Note 22)				
Equipment	45	49	45	48
Buildings	39	28	37	28
Intangible assets (Note 21)				
Other intangible assets	73	70	70	62
Total	**157**	**147**	**152**	**138**
Impairment charges / Reversed impairment charges				
Property and equipment				
Equipment	0	7	0	7
Intangible assets				
Other intangible assets	3	0	3	0
Total	**3**	**7**	**3**	**7**
Total	**160**	**154**	**155**	**145**

Note 11:
Net loan losses

NOKm	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Divided by class				
Loans to credit institutions	11	2	11	2
– of which provisions	–24	0	–24	0
– of which allowances used for covering write-offs	22	0	22	0
– of which reversals	0	2	0	2
– of which recoveries	13	0	13	0
Loans to the public	–1,443	–735	–1,367	–621
– of which provisions	–1,752	–1,695	–1,629	–1,508
– of which write-offs	–2,345	–630	–2,242	–499
– of which allowances used for covering write-offs	2,101	412	2,034	300
– of which reversals	543	1,125	465	1,036
– of which recoveries	10	53	5	50
Off-balance sheet items[1]	0	8	0	8
– of which provisions	–3	–7	–3	–7
– of which reversals	3	15	3	15
Total	**–1,432**	**–725**	**–1,356**	**–611**
Specification				
Changes of allowance accounts in the balance sheet	–1,209	–560	–1,164	–462
– of which Loans, individually assessed[2]	–1,465	–1,153	–1,436	–1,074
– of which Loans, collectively assessed[2]	256	585	272	604
– of which Off-balance sheet items, individually assessed[1]	0	8	0	8
Changes directly recognised in the income statement	–223	–165	–192	–149
– of which realised loan losses, individually assessed	–246	–218	–210	–199
– of which realised recoveries, individually assessed	23	53	18	50
Total	**–1,432**	**–725**	**–1,356**	**–611**

[1] Included in Note 31 Provisions

[2] Included in Note 13 Loans and impairment

Key ratios

	Group 2011	Group 2010	Parent company 2011	Parent company 2010
Loan loss ratio, basis points[1]	32	17	38	15
– of which individual	38	31	46	30
– of which collective	–6	–14	–8	–15

[1] Net loan losses (annualised) divided by opening balance of loans to the public (lending).

Note 12:
Taxes

Income tax expense

	Group		Parent company	
NOKm	2011	2010	2011	2010
Current tax[1]	-330	-2,596	-74	-2,335
Deferred tax	-904	1,047	-866	1,033
Total	**-1,234**	**-1,549**	**-940**	**-1,302**
[1] Of which relating to prior years (see below)	-9	-13	-8	-13

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.

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	2011	2010	2011	2010
Profit before tax	4,581	5,849	3,492	5,263
Tax calculated at a tax rate of 28%	-1,283	-1,638	-978	-1,474
Effect of different tax rates in other countries	-4	-27	-4	-27
Income/loss from associated undertakings	53	-17	0	0
Tax-exempt income	71	261	70	257
Non-deductible expenses	-62	-115	-20	-45
Adjustments relating to prior years	-9	-13	-8	-13
Tax charge	**-1,234**	**-1,549**	**-940**	**-1,302**
Average effective tax rate	26.9 %	26.5 %	26.9 %	24.7 %

Deferred tax

	Group		Parent company	
NOKm	2011	2010	2011	2010
Deferred tax expense (-)/income (+)				
Deferred tax due to temporary differences	-904	1,047	-866	1,033
Income tax expense, net	**-904**	**1,047**	**-866**	**1,033**

	Group			
	Deferred tax assets		Deferred tax liabilities	
NOKm	2011	2010	2011	2010
Deferred tax related to:				
Tax losses carry-forward	1,017			
Financial instruments and derivatives		930	1,231	
Property, equipment and intangible assets	41			186
Retirement benefit assets/obligations	393	447		
Liabilities/provisions/other	49			18
Total	**1,500**	**1,377**	**1,231**	**204**

	Parent company			
	Deferred tax assets		Deferred tax liabilities	
NOKm	2011	2010	2011	2010
Deferred tax related to:				
Tax losses carry-forward	1,017			
Financial instruments and derivatives		931	978	
Property, equipment and intangible assets	40	44		
Retirement benefit assets/obligations	379	433		
Liabilities/provisions/other	70			14
Total	**1,506**	**1,408**	**978**	**14**

Note 12:
Taxes cont.

	Group		Parent company	
NOKm	2011	2010	2011	2010
Movements in deferred tax assets/liabilities, net are as follows:				
Translation differences	0	1	0	1
Adjustments related to earlier years	0	7	0	14
Deferred tax in the income statement	–904	1,047	–866	1,033
Amount at end of year (net)	**–904**	**1,055**	**–866**	**1,048**

Deferred income tax assets are recognised for tax losses carry-forward 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	Credit institutions		The public		Total	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010	2011	2010
Loans, not impaired	26,943	9,900	462,388	436,475	489,331	446,375
Impaired loans	0	22	4,014	5,579	4,014	5,601
- Performing	0	0	1,469	1,803	1,469	1,803
- Non-performing	0	22	2,545	3,776	2,545	3,798
Loans before allowances	**26,943**	**9,922**	**466,402**	**442,054**	**493,345**	**451,976**
Allowances for individually assessed impaired loans	0	-22	-1,709	-2,296	-1,709	-2,318
- Performing	0	0	-420	-597	-420	-597
- Non-performing	0	-22	-1,289	-1,699	-1,289	-1,721
Allowances for collectively assessed impaired loans	0	0	-290	-545	-290	-545
Allowances	**0**	**-22**	**-1,999**	**-2,841**	**-1,999**	**-2,863**
Loans, carrying amount	**26,943**	**9,900**	**464,403**	**439,213**	**491,346**	**449,113**

Parent company	Credit institutions		The public		Total	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010	2011	2010
Loans, not impaired	56,552	40,009	357,835	341,686	414,387	381,695
Impaired loans	0	22	3,645	5,143	3,645	5,165
- Performing	0	0	1,361	1,673	1,361	1,673
- Non-performing	0	22	2,284	3,470	2,284	3,492
Loans before allowances	**56,552**	**40,031**	**361,480**	**346,829**	**418,032**	**386,860**
Allowances for individually assessed impaired loans	0	-22	-1,549	-2,104	-1,549	-2,126
- Performing	0	0	-387	-555	-387	-555
- Non-performing	0	-22	-1,162	-1,549	-1,162	-1,571
Allowances for collectively assessed impaired loans	0	0	-221	-492	-221	-492
Allowances	**0**	**-22**	**-1,770**	**-2,596**	**-1,770**	**-2,618**
Loans, carrying amount	**56,552**	**40,009**	**359,710**	**344,233**	**416,262**	**384,242**

[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

	Credit institutions			The public			Total		
NOKm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2011	**–22**	**0**	**–22**	**–2,296**	**–545**	**–2,841**	**–2,318**	**–545**	**–2,863**
Provisions	0	0	0	–1,665	–87	–1,752	–1,665	–87	–1,752
Reversals	0	0	0	200	343	543	200	343	543
Changes through the income statement	**0**	**0**	**0**	**–1,465**	**256**	**–1,209**	**–1,465**	**256**	**–1,209**
Allowances used to cover write-offs	22	0	22	2,101	0	2,101	2,123	0	2,123
Reclassification	0	0	0	–37	–1	–38	–37	–1	–38
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**
Opening balance at 1 Jan 2010	**–22**	**–2**	**–24**	**–1,527**	**–1,216**	**–2,743**	**–1,549**	**–1,218**	**–2,767**
Provisions	0	0	0	–1,475	–220	–1,695	–1,475	–220	–1,695
Reversals	0	2	2	323	802	1,125	323	804	1,127
Changes through the income statement	**0**	**2**	**2**	**–1,152**	**582**	**–570**	**–1,152**	**584**	**–568**
Allowances used to cover write-offs	0	0	0	412	0	412	412	0	412
Reclassification	0	0	0	–31	89	58	–31	89	58
Currency translation differences	0	0	0	2	0	2	2	0	2
Closing balance at 31 Dec 2010	**–22**	**0**	**–22**	**–2,296**	**–545**	**–2,841**	**–2,318**	**–545**	**–2,863**

Parent company

	Credit institutions			The public			Total		
NOKm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
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**
Opening balance at 1 Jan 2010	**–22**	**–2**	**–24**	**–1,300**	**–1,181**	**–2,481**	**–1,322**	**–1,183**	**–2,505**
Provisions	0	0	0	–1,330	–171	–1,501	–1,330	–171	–1,501
Reversals	0	2	2	248	772	1,020	248	774	1,022
Changes through the income statement	**0**	**2**	**2**	**–1,082**	**601**	**–481**	**–1,082**	**603**	**–479**
Allowances used to cover write-offs	0	0	0	300	0	300	300	0	300
Reclassification	0	0	0	–24	88	64	–24	88	64
Currency translation differences	0	0	0	2	0	2	2	0	2
Closing balance at 31 Dec 2010	**–22**	**0**	**–22**	**–2,104**	**–492**	**–2,596**	**–2,126**	**–492**	**–2,618**

[1] See Note 11 Net loan losses.

Note 13:
Loans and impairment cont.

Allowances and provisions

Group	Credit institutions		The public		Total	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010	2011	2010
Allowances for items in the balance sheet	0	-22	-1,999	-2,841	-1,999	-2,863
Provisions for off-balance sheet items	0	0	-13	-13	-13	-13
Total allowances and provisions	**0**	**-22**	**-2,012**	**-2,854**	**-2,012**	**-2,876**
Parent company						
Allowances for items in the balance sheet	0	-22	-1,770	-2,596	-1,770	-2,618
Provisions for off-balance sheet items	0	0	-13	-13	-13	-13
Total allowances and provisions	**0**	**-22**	**-1,783**	**-2,609**	**-1,783**	**-2,631**

Key ratios

	Total			
	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
	2011	2010	2011	2010
Impairment rate, gross, basis points	81	124	87	134
Impairment rate, net, basis points	47	73	50	79
Total allowance rate, basis points	41	63	42	68
Allowances in relation to impaired loans, %	43	41	43	41
Total allowances in relation to impaired loans, %	50	51	49	51
Non-performing loans, not impaired, NOKm	878	581	679	448

Note 14:
Interest-bearing securities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Government and government-guaranteed certificates (weighted 0%)	23,185	3,163	23,185	3,163
Certificates issued/guaranteed by financial institutions (weighted 20%)	50,575	17,744	71,354	67,744
Certificates issued/guaranteed by others (weighted 100%)	1,831	1,288	1,831	1,288
Total[1]	**75,591**	**22,195**	**96,370**	**72,195**
Where of Financial instruments pledged as collateral (Note 15)	-534	0	-534	0
Total	**75,057**	**22,195**	**95,836**	**72,195**
Listed and unlisted securities incl. Financial instruments pledged as collateral				
Listed securities	73,563	19,091	73,563	69,091
Unlisted securities	2,028	3,104	22,807	3,104
Total[1]	**75,591**	**22,195**	**96,370**	**72,195**

[1]Of which NOK 11.8bn (11.0) held at amortised cost.

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 company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Interest-bearing securities	534	0	534	0
Shares	0	245	0	245
Total	**534**	**245**	**534**	**245**

Transferred assets that are still recognised in the balance sheet and associated liabilities

All types of assets transferred and the liabilities associated with these transactions are specified in the following tables. The assets continue to be recognised on the balance sheet since Nordea is still exposed to changes in the fair value of the assets. Therefore, these assets and associated liabilities are included in the tables below.

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010[1]	2011	2010[1]
Repurchase agreements				
Interest-bearing securities	534	0	18,361	17,827
Securities lending agreements				
Shares	0	245	0	245
Total	**534**	**245**	**18,361**	**18,072**

Liabilities associated with the assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010[1]	2011	2010[1]
Repurchase agreements				
Deposits by credit institutions	534	0	18,361	17,827
Securities lending agreements				
Deposits by credit institutions	0	245	0	245
Total	**534**	**245**	**18,361**	**18,072**

[1] The comparative figures for 2010 have been restated to ensure consistency between the years.

For information on reverse repos, see Note 41 Obtained collaterals which are permitted to be sold or repledged.

Note 16:
Shares

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Shares held for trading	1,565	3,305	1,565	3,305
Shares available for sale	80	472	80	472
of which shares taken over for protection of claims	0	0	0	0
Total	**1,645**	**3,777**	**1,645**	**3,777**
Listed and unlisted shares incl Financial instruments pledged as collateral				
Listed shares	1,497	3,237	1,497	3,237
Unlisted shares	148	540	148	540
Total	**1,645**	**3,777**	**1,645**	**3,777**
Of which Financial instruments pledged as collateral (Note 15)	0	–245	0	–245
Total	**1,645**	**3,532**	**1,645**	**3,532**
Of which expected to be settled after more than 1 year	80	472	80	472

Note 16:
Shares cont.

Specification of shares

31 Dec 2011	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	8	8	0.46	8	8	0.46
Aker	27	27	0.24	27	27	0.24
Aker BioMarine	6	6	0.52	6	6	0.52
Avocet Mining	47	47	1.27	47	47	1.27
Birdstep Technology	2	2	3.25	2	2	3.25
Bulgaria Eiendom Invest AS Ord	6	6	11.83	6	6	11.83
Deep Sea Supply	12	12	1.26	12	12	1.26
Det norske oljeselskap	47	47	0.42	47	47	0.42
DNO International	1	1	0.02	1	1	0.02
DOF	37	37	1.55	37	37	1.55
Electromagnetic Geoservices	13	13	0.52	13	13	0.52
Ensco International	1 106	1 106	1.70	1 106	1 106	1.70
Euro-Clear Clearance System Ltd.	60	60	0.19	60	60	0.19
Norske Skogsindustrier	4	4	0.45	4	4	0.45
Norwegian Energy Company	14	14	1.23	14	14	1.23
Norwegian Pelagic	8	8	1.74	8	8	1.74
Opera Software	15	15	0.44	15	15	0.44
Royal Caribbean Cruises	4	4	0.01	4	4	0.01
Siem Offshore	47	47	1.42	47	47	1.42
Songa Offshore	57	57	1.85	57	57	1.85
Wilh. Wilhelmsen Holding	42	42	2.63	42	42	2.63
Other shares	2	2		2	2	
Total	**1 565**	**1 565**		**1 565**	**1 565**	
Of which pledged as collateral (see Note 15)	0	0		0	0	
Total	**1 565**	**1 565**		**1 565**	**1 565**	
Non-current assets						
Borea Oppurtunity II AS	6	6	1.78	6	6	1.78
Bølgen Invest AS	1	1	2.47	1	1	2.47
Eiendomsverdi AS	15	15	18.00	15	15	18.00
Fish Pool AS	1	1	5.28	1	1	5.28
KapNord Fond AS	2	2	2.55	2	2	2.55
Møre og Romsdal Såkornfond AS	3	3	5.43	3	3	5.43
Nordito Property AS	37	37	10.80	37	37	10.80
Norsk Tillitsmann AS	1	1	10.41	1	1	10.41
P-Hus Vekst AS	1	1	5.26	1	1	5.26
Rullebaneutvidelse AS	1	1	1.39	1	1	1.39
SWIFT	2	2	-	2	2	-
Saltens Bilruter A/S	2	2	2.43	2	2	2.43
Solnør Gaard Golfbane AS	1	1	0.04	1	1	0.04
Ålesund Stadion	0	0	0.98	0	0	0.98
Other non-current shares	7	7		7	7	
Total	**80**	**80**		**80**	**80**	

Note 17:
Derivatives and Hedge accounting

	Group			Parent company		
	Fair value		Total nom	Fair value		Total nom
31 Dec 2011, NOKm	Positive	Negative	mount	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 17:

Derivatives and Hedge accounting cont.

31 Dec 2010, NOKm	Group			Parent company		
	Fair value		Total nom	Fair value		Total nom
	Positive	Negative	mount	Positive	Negative	amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	70	57	53,279	70	57	53,279
FRAs	4	4	22,000	4	4	22,000
Futures and forwards	0	0	11	0	0	11
Other	1	1	158	1	1	158
Total	**75**	**62**	**75,448**	**75**	**62**	**75,448**
Equity derivatives						
Equity swaps	4	13	175	4	13	175
Futures and forwards	8	67	2,173	8	67	2,173
Options	27	26	995	27	26	995
Total	**39**	**106**	**3,343**	**39**	**106**	**3,343**
Foreign exchange derivatives						
Currency and interest rate swaps	0	114	3,986	0	114	3,986
Currency forwards	179	2,674	106,214	179	2,674	106,214
Total	**179**	**2,788**	**110,200**	**179**	**2,788**	**110,200**
Other derivatives						
Options	9	9	200	9	9	200
Total	**9**	**9**	**200**	**9**	**9**	**200**
Total derivatives held for trading	**302**	**2,965**	**189,191**	**302**	**2,965**	**189,191**
Derivatives used for hedge accounting						
Interest rate derivatives						
Interest rate swaps	22	742	20,857	502	742	32,066
Total	**22**	**742**	**20,857**	**502**	**742**	**32,066**
Total derivatives used for hedge accounting	**22**	**742**	**20,857**	**502**	**742**	**32,066**
Total derivatives	**324**	**3,707**	**210,048**	**804**	**3,707**	**221,257**

Note 18:

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

Assets	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Carrying amount at beginning of year	485	119	127	119
Changes during the year				
Revaluation of hedged items	173	366	105	8
Carrying amount at end of year	**658**	**485**	**232**	**127**

Liabilities

NOKm				
Carrying amount at beginning of year	17	49	17	49
Changes during the year				
Revaluation of hedged items	601	-32	-17	-32
Carrying amount at end of year	**618**	**17**	**0**	**17**

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	2011	2010
Acquisition value at beginning of year	2,834	2,241
Acquisitions during the year[1]	11	0
Liquidation during the year[2]	0	-22
Group contribution	0	615
Acquisition value at end of year	**2,845**	**2,834**

[1] Kildens 8 Næringseiendom AS was acquired during 2011.

[2] Christiania Forsikring AS was liquidated during 2010.

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

31 Dec 2011	Number of shares	Book value 2011 NOKm	Book value 2010 NOKm	Voting power of holding %	Domicile	Registration number
Nordea Eiendomskreditt AS	15,336,269	2,633	2,633	100.0	Oslo	971 227 222
Nordea Finans Norge AS	63,000	143	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	9,131,765	57	57	67.0	Oslo	986 386 661
M-Invest AS	1,000	0	0	100.0	Oslo	988 823 511
Kildens 8 Næringseiendom AS	1,000	11	0	100.0	Oslo	997 515 692
Total		**2,845**	**2,834**			

[1] Dormant company

Note 20:
Investments in associated undertakings

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Acquisition value at beginning of year	1,199	1,257	417	417
Share in earnings [1]	194	103	0	0
Reclassification	0	1	0	0
Dividend received	-116	-162	0	0
Acquisition value at end of year	**1,277**	**1,199**	**417**	**417**

[1] As stated in Nordea's joint press release with the other main owners as of November 22, 2011, Eksportfinans is well positioned for a controlled run-off that will protect the value of the company's assets. Post third quarter reporting, 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, and provides for an adjustment to reduce Nordea's share of Eksportfinans' reported net result by NOK 6,780m.

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

	31 Dec	31 Dec
NOKm	2011	2010
Total assets	49,752	50,107
Total liabilities	41,694	48,906
Operating income	339	186
Operating profit	266	139

Nordeas' share of contingent liabilities in associated undertakings amounts to NOK 32m (21).

			Book value NOKm		Voting power of holding %	
	Registration		31 Dec	31 Dec	31 Dec	31 Dec
31 Dec 2011	number	Domicile	2011	2010	2011	2010
Eksportfinans ASA	816 521 432	Oslo	1,270	1,195	23.21	23.21
NF Fleet AS	988 906 808	Oslo	7	4	20.00	20.00
Relacom	556746-3103	Stockholm	0	0	47.91	0.00
Total			**1,277**	**1,199**		

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	2011	2010	2011	2010
Goodwill[1]	41	41	0	0
Internally developed software	280	229	280	229
Other intangible assets	140	153	128	145
Total	**461**	**423**	**408**	**374**

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	247	166	247	166
Acquisitions during the year	99	85	99	85
Reclassifications	–48	–4	–48	–4
Acquisition value at end of year	**298**	**247**	**298**	**247**
Accumulated impairment charges at beginning of year	–18	–18	–18	–18
Impairment charges during the year	0	0	0	0
Accumulated impairment charges at end of year	**–18**	**–18**	**–18**	**–18**
Total	**280**	**229**	**280**	**229**

Other intangible assets				
Acquisition value at beginning of year	335	382	315	342
Acquisitions during the year	13	31	5	24
Sales/disposals during the year	–6	–82	–6	–55
Reclassifications	48	4	48	4
Acquisition value at end of year	**390**	**335**	**362**	**315**
Accumulated amortisation at beginning of year	–182	–194	–170	–162
Amortisation according to plan for the year	–73	–70	–70	–62
Accumulated amortisation on sales/disposals during the year	5	82	6	54
Reclassifications	0	0	0	0
Accumulated amortisation at end of year	**–250**	**–182**	**–234**	**–170**
Total	**140**	**153**	**128**	**145**

The total amount is expected to be settled 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 (67% ownership). The assessment of goodwill for 2011 has been performed in accordance with International Financial Reporting Standards (IFRS), and no correction has been necessary.

Note 22:
Property and equipment

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Property and equipment	303	292	301	288
Of which buildings for own use	138	135	138	133
Total	**303**	**292**	**301**	**288**

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

Equipment				
Acquisition value at beginning of year	679	799	674	787
Acquisitions during the year	53	42	52	41
Sales/disposals during the year	-64	-148	-62	-143
Reclassifications	3	-14	3	-11
Acquisition value at end of year	**671**	**679**	**667**	**674**
Accumulated depreciation at beginning of year	-519	-607	-516	-603
Accumulated depreciation on sales/disposals during the year	61	137	60	135
Depreciations according to plan for the year	-45	-49	-45	-48
Accumulated depreciation at end of year	**-503**	**-519**	**-501**	**-516**
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	**164**	**156**	**162**	**154**

Land and buildings				
Acquisition value at beginning of year	204	180	202	180
Acquisitions during the year	45	26	45	27
Sales/disposals during the year	-11	-2	-11	-5
Acquisition value at end of year	**238**	**204**	**236**	**202**
Accumulated depreciation at beginning of year	-69	-44	-69	-44
Accumulated depreciation on sales/disposals during the year	9	3	9	3
Depreciation according to plan for the year	-39	-28	-37	-28
Reclassifications	-1	0	-1	0
Accumulated depreciation at end of year	**-100**	**-69**	**-98**	**-69**
Total	**138**	**135**	**138**	**133**

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	
NOKm	2011	2010
Gross investments	9,225	8,082
Less unearned finance income	−140	−183
Net investments in finance leases	**9,085**	**7,899**
Less unguaranteed residual values accruing to the benefit of the lessor	0	0
Present value of future minimum lease payments receivable	**9,085**	**7,899**
Accumulated allowance for uncollectible minimum lease payments receivable	0	0

As of 31 December 2011 the gross investment and the net investment by remaining maturity was distributed as follows:

	Group		Group	
	2011	2011	2010	2010
NOKm	Gross investment	Net investment	Gross investment	Net investment
2011	NA	NA	3,408	3,331
2012	3,873	3,814	2,257	2,205
2013	2,671	2,631	1,020	997
2014	1,305	1,285	686	671
2015	761	749	397	388
2016	403	397	NA	NA
Later years	212	209	314	307
Total	**9,225**	**9,085**	**8,082**	**7,899**
Less unearned future finance income on finance leases	0	0	0	0
Investment in finance leases	**9,225**	**9,085**	**8,082**	**7,899**

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	2011	2010
Leasing expenses during the year	271	265
Of which		
– minimum lease payments	271	265
– contingent rents	0	0
Leasing income during the year regarding sublease payments	0	6

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

	Group	Parent company	Group	Parent company
NOKm	2011	2011	2010	2010
2011	NA	NA	222	172
2012	178	229	209	158
2013	163	215	197	145
2014	66	120	97	43
2015	50	106	84	28
2016	37	94	NA	NA
Later years	125	2,151	1,015	80
Total	**619**	**2,915**	**1,824**	**626**

NA (not applicable)

Note 24:
Other assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Claims on securities settlement proceeds	3 465	3 597	3 465	3 597
Other	423	964	289	966
Total	**3 888**	**4 561**	**3 754**	**4 563**

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

Note 25:
Prepaid expenses and accrued income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Accrued interest income	1,881	1,510	1,748	1,398
Other accrued income	86	30	86	32
Prepaid expenses	806	593	81	64
Total	**2,773**	**2,133**	**1,915**	**1,494**

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

Note 26:
Deposits by credit institutions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Central banks	35,709	34,108	35,709	34,108
Other banks	197,361	160,769	197,361	160,769
Other credit institutions	6,400	1,993	6,424	2,028
Total	**239,470**	**196,870**	**239,494**	**196,905**

Note 27:
Deposits and borrowings from the public

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Deposits from the public	223,195	234,062	223,178	234,034
Total	**223,195**	**234,062**	**223,178**	**234,034**

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 28:
Debt securities in issue

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Bond loans	51,471	11,367	2,505	2,096
Total	**51,471**	**11,367**	**2,505**	**2,096**

Note 29:
Other liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Liabilities on securities settlement proceeds	24,582	3,903	24,582	3,903
Sold, not held, securities	1,606	946	1,606	946
Accounts payable	104	58	90	51
Other	2,291	1,369	2,375	1,391
Total	**28,583**	**6,276**	**28,653**	**6,291**

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

Note 30:
Accrued expenses and prepaid income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Accrued interest	881	535	537	460
Other accrued expenses	762	808	721	755
Prepaid income	725	530	1	1
Total	**2,368**	**1,873**	**1,259**	**1,216**

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

Note 31:
Provisions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Reserve for restructuring costs	181	0	181	0
Individually assessed, guarantees and other commitments	13	13	13	13
Other	318	398	305	382
Total	**512**	**411**	**499**	**395**

Movement in the balance sheet:

Group	Restructuring	Off-balance sheet	Other	Total
At beginning of year	0	13	398	411
New provisions made	149	2	0	151
Provisions utilised	-1	0	0	-1
Reversals	-23	-2	-80	-105
Reclassifications	56	0	0	56
At end of year	**181**	**13**	**318**	**512**

NOK 273m is expected to be settled within 1 year.

Parent company	Restructuring	Off-balance sheet	Other	Total
At beginning of year	0	13	382	395
New provisions made	149	2	0	151
Provisions utilised	-1	0	0	-1
Reversals	-23	-2	-77	-102
Reclassifications	56	0	0	56
At end of year	**181**	**13**	**305**	**499**

NOK 229m is expected to be settled within 1 year.

The reserve for restructuring costs is mainly related to staff costs in connection with New Normal.

Loan loss provisions for individually assessed off-balance sheet items (i.e. Guarantees and L/C's) amounted to NOK 13m.

Provision Other includes provision for contributions payable to the new AFP scheme (Avtale Festet Pensjon) for pension rights already earned. See Note 32 Retirement benefit obligations for further information.

Note 32:

Retirement benefit obligations

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Pension plans	1,087	1,199	1,048	1,164
Total	**1,087**	**1,199**	**1,048**	**1,164**

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 Wassum AS. The Group also has pension commitments that are not covered by the pension funds. These relate to early retirement pensions and supplementary pensions. The defined benefit pension scheme encompasses 5,109 people (5,926) at year end 2011, of whom 2,413 (2,441) received pension as at 31 December 2011. The average member age is 61 (56). 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 arrangement is administered by Nordea Liv and covers 953 (0) members at year end 2011. NBN is also a member in 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 2011, 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 old AFP plan was closed for new pensioners as from 2011 and the curtailment gain was accounted for in 2010. 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 for defined contributions payable to the new AFP plan related to pension rights already earned. NOK 70m (NOK 80m including social charges) of the provision has been reversed in 2011.

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 may not be recognised in the balance sheet at once, but will be 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.

The ordinary retirement age is 67. The schemes carry, based on present social security regulations, an entitlement to an old age pension corresponding to 66 percent of pensionable income at the time of retirement. The amount is reduced correspondingly in the event of less than 30 years' service at the time of retirement. From the age of 67 onwards pensions paid by the bank are coordinated with those paid under the National Insurance Scheme.

Changes in pension plans

Nordea Norge decided to make changes in the pension plans as from 1 January 2011 to align the existing DBPs with the common market practice. The defined benefit plans are closed as from 2011 and a defined contribution plan arrangement has been introduced. All new employees starting 1 January 2011 or later will receive pensions based on the new DCP arrangement. During the last quarter in 2010 existing employees were given the option to transfer to the new DCP or stay in the DBP with benefits reduced from 70 to 66 percent of the final salary for pension rights earned as from 1 January 2011. In addition the employees will not earn spouse pension as from 2011 and changes are made to disability pensions as part of the modernising process. The curtailment gain was recognised in 2010. The curtailment gain from existing employees chosing transfer to the new DCP of NOK 35m (NOK 40m including social charges) has been recognised in 2011.

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	2011	2010
Discount rate	3.0 %	4.0%
Salary increase	3.0 %	3.5%
Inflation	2.0 %	2.0%
Expected return on assets before taxes	4.0 %	5.0%
Expected adjustments of current pensions	2.5 %	2.5%
Expected adjustments of basic Social Security	4.0 %	3.0%

Note 32:

Retirement benefit obligations cont.

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 0.5 percentage point increase in the discount rate would lead to a decrease in pension obligation by year end 2011 of 7% and in service cost going forward of 12%. A 0.5 percentage point reduction in the discount rate would lead to an increase in pension obligation by year end 2011 of 8% and in service cost going forward of 13%.

Asset composition

The combined return on assets in 2011 was 2.6% (7.9%) mainly reflecting the general negative development in the market. At the end of the year, the equity exposure in the pension fund represented 17% (15%) of total assets.

Funded schemes

	2011	2010
Equity	17%	15%
Bonds	66%	68%
Real estate	17%	17%

Defined benefit plans – balance sheet items

Retirement benefit assets reported in the balance sheet as at year-end amounted to NOK 0m (NOK 0m), whereas retirement benefit obligations totalled NOK 1,087m (NOK 1,199m) for the Group.

Amounts recognised in the balance sheet at 31 December

	Group		Parent company	
NOKm	2011	2010	2011	2010
PBO (present value of pension obligations)	7,096	6,757	6,971	6,628
Assets	4,617	4,506	4,543	4,432
Funded status – surplus/deficit (–)	**–2,479**	**–2,251**	**–2,428**	**–2,196**
Unrecognised actuarial gains(–)/losses	1,392	1,052	1,380	1,032
Funded status in the balance sheet	**1,087**	**1,199**	**1,048**	**1,164**
Of which				
retirement benefit obligations	1,087	1,199	1,048	1,164
related to unfunded plans (PBO)	1,078	1,056	1,063	1,043

Overview of surplus or deficit in the plans

Group	Total	Total	Total	Total	Total
NOKm	2011	2010	2009	2008	2007
PBO	7,096	6,757	6,748	6,458	5,752
Plan Assets	4,617	4,506	4,109	3,732	3,557
Funded status – surplus/deficit(–)	**–2,479**	**–2,251**	**–2,639**	**–2,726**	**–2,195**

The development in the PBO, the actuarial gains and losses as well as the value of assets are highlighted below.

Changes in the PBO

	Group		Parent company	
NOKm	2011	2010	2011	2010
PBO at 1 Jan	6,757	6,748	6,628	6,543
Service cost	172	263	164	250
Interest cost	254	288	250	283
Pensions paid	–366	–277	–359	–220
Curtailments and settlements	–124	–799	–117	–770
Past service cost [1]	137	48	137	48
Actuarial gains(–)/losses [2]	287	566	292	570
Change in provision for Social Security Contribution [3]	–21	–80	–24	–76
PBO at 31 Dec	**7,096**	**6,757**	**6,971**	**6,628**

[1] Includes provision for early retirement pensions and supplementary pensions related to restructuring (New Normal). See Board of Directors' report report for more information.

[2] Of which experience adjustments NOK 9m in 2011 for the Group.

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

Note 32:
Retirement benefit obligations cont.

Changes in the fair value of assets

	Group		Parent company	
NOKm	2011	2010	2011	2010
Assets at 1 Jan	4,506	4,109	4,432	4,005
Expected return on assets	224	229	221	225
Pensions paid	–366	–277	–359	–220
Contributions	434	351	428	327
Curtailments and settlements	–74	0	–70	0
Actuarial gains/losses(–)[1]	–107	94	–109	95
Assets at 31 Dec	**4,617**	**4,506**	**4,543**	**4,432**
Actual return on plan assets	**117**	**323**	**112**	**320**

[1] Of which experience adjustments NOK –107m in 2011 for the Group

Overview of actuarial gains/losses

Group	Total	Total	Total	Total	Total
NOKm	2011	2010	2009	2008	2007
Actuarial gains/losses at 1 Jan	1,052	789	947	35	591
Effect of changes in actuarial and financial assumptions incl experience adjustments	380	277	–125	910	–550
Of which:					
– on plan assets[1]	107	–94	–80	327	–61
– on plan liabilities[2]	287	566	–45	583	–489
– curtailments and settlements	–14	–195	0	0	0
Amortized	–40	–14	–33	2	–6
Actuarial gains/losses at 31 Dec	**1,392**	**1,052**	**789**	**947**	**35**

[1] Of which experience adjustments NOK 107m in 2011

[2] Of which experience adjustments NOK 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 382m 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 (New Normal), see Board of Directors' report for more information. Net DBP income in 2010 amounted to NOK 250m due to gains from changes in the pension plans recognised in 2010. 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	2011	2010	2011	2010
Service cost	172	263	164	250
Interest cost	254	288	250	283
Expected return on assets	–224	–229	–221	–225
Recognised actuarial gains(–)/ losses	40	14	38	14
Recognised past service cost	129	48	129	48
Curtailments and settlements	–35	–604	–33	–581
Net cost	**336**	**–220**	**327**	**–211**
Accrued Social Security Contribution	46	–30	44	–29
Pension cost on defined benefit plans	**382**	**–250**	**371**	**–240**

The net defined benefit costs for NBN Group is expected to be NOK 280m in 2012. The change is mainly related to reduction in early retirement pensions and supplementary pensions. The Group expects to contribute NOK 374m (excl. SSC) to the defined benefit plans in 2012.

Note 33:
Subordinated liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Dated subordinated debenture loans	3,259	3,039	3,259	3,039
Undated subordinated debenture loans	1,198	4,809	1,198	4,809
Hybrid capital loans	4,937	1,694	4,937	1,694
Total	**9,394**	**9,542**	**9,394**	**9,542**

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 193m (145) in 2011.

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 2011 are specified below.

Issued by	Year of issue / maturity	Nominal value	Book value NOKm	Interest rate (coupon)
Nordea Bank Norge ASA	1986 – Undated[2]	USD 200	1,198	Libor 6 month + 18.75 basis points
Nordea Bank Norge ASA	2008 – Undated[3]	USD 290	1,737	Libor 3 month + 450 basis points
Nordea Bank Norge ASA	2007 – 2017[1]	EUR 150	1,162	Euribor 3 month + 30 basis point
Nordea Bank Norge ASA	2010 – 2020[4]	USD 350	2,097	Libor 3 month + 140 basis points
Nordea Bank Norge ASA	2011 – 2016[4]	NOK 3,200	3,200	Nibor 3 month + 758 basis points
			9,394	

[1] Call date 5 years from issuance date. Spread increase by 75 basis points if not called.

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

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

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

Note 34:
Assets pledged as security for own liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010 [1]	2011	2010 [1]
Assets pledged for own liabilities				
Securities etc[2]	48,709	18,344	68,709	68,351
Loans to the public (Covered bonds)	84,222	77,838	0	0
Total	**132,931**	**96,182**	**68,709**	**68,351**
The above pledges pertain to the following liabilities				
Deposits by credit institutions	53,204	65,819	53,204	65,819
Deposits and borrowings from the public	13,990	2,532	13,990	2,532
Derivatives	13	0	13	0
Debt securities in issue	48,967	9,271	0	0
Total	**116,174**	**77,622**	**67,207**	**68,351**

[1] The comparative figures for 2010 have been restated to ensure consistency between the years.

[2] 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 Obtained collaterals which are permitted to be sold or repledged.

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 35:
Contingent liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Guarantees				
Loan guarantees	1,689	1,088	5,396	4,813
Other guarantees	13	215	13	215
Documentary credits				
Other contingent liabilities	1	1	1	1
Total	**1,703**	**1,304**	**5,410**	**5,029**
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 will mainly 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 36:
Commitments

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010 [1]	2011	2010 [1]
Future payment obligations	23,314	9,218	23,470	9,373
Credit commitments[2]	107,592	102,286	164,127	111,846
Commitments excluding derivatives	**130,906**	**111,504**	**187,597**	**121,219**

[1] The comparative figures for 2010 have been restated to ensure consistency between the years.

[2] Including unutilised portion of approved overdraft facilities of NOK 42,135m (53,013).

For further information see Note 17 Derivatives and hedge accounting, for information about reverse repos see Note 41 Obtained collaterals which are permitted to be sold or repledged.

Note 37:
Capital adequacy

Calculation of total capital base

	Group		Parent company	
NOKm	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Equity	30,412	29,563	26,693	26,629
Proposed/actual dividend	-1,600	-2,500	-1,600	-2,500
Deferred tax assets	-269	-1,183	-528	-1,394
Intangible assets	-1,285	-427	-408	-374
IRB provisions shortfall (-)[1]	-954	-923	-909	-901
Deduction for investment in credit institutions	-1	-1	0	-1
Other items, net	-1	0	0	0
Hybrid capital	4,937	1,694	4,937	1,694
Tier 1 capital (net after deduction)	**31,239**	**26,223**	**28,185**	**23,153**
Tier 2 capital	**4,732**	**8,250**	**4,457**	**7,848**
- of which perpetual subordinated loans	1,306	2,870	1,198	2,765
IRB provisions shortfall (-)[1]	-954	-923	-909	-901
Deduction for investment in credit institutions	-1	-1	-1	-1
Total capital base	**35,016**	**33,549**	**31,732**	**30,099**

[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

	Group		Parent company	
31 Dec 2011	Capital requirement	Basel II RWA	Capital requirement	Basel II RWA
Credit risk	**18,815**	**235,180**	**17,972**	**224,650**
IRB foundation	16,932	211,636	15,326	191,575
- of which corporate	12,886	161,077	12,421	155,266
- of which institutions	512	6,394	511	6,393
- of which retail	3,435	42,934	2,352	29,392
of which retail SME	122	1,521	122	1,521
of which retail real estate	2,481	31,015	1,456	18,201
of which retail other	832	10,398	774	9,670
- of which other	99	1,231	42	524
Standardised	1,883	23,544	2,646	33,075
- of which sovereign	31	382	28	346
- of which retail	446	5,579	0	0
- of which other	1,406	17,583	2,618	32,729
Market risk	**418**	**5,227**	**314**	**3,928**
- of which trading book, Internal Approach	155	1,934	155	1,934
- of which trading book, Standardised Approach	263	3,293	159	1,994
Operational risk	**1,615**	**20,193**	**1,549**	**19,359**
- of which standardised	1,615	20,193	1,549	19,359
Sub total	**20,848**	**260,600**	**19,835**	**247,937**
Adjustment for transition rules				
Additional capital requirement according to transition rules	5,485	68,563	3,303	41,289
Total	**26,333**	**329,163**	**23,138**	**289,226**

Note 37:
Capital adequacy cont.

Capital ratio

	Group	Parent company
Tier I ratio, %	9.5	9.7
Capital ratio, %	10.6	11.0

Analysis of capital requirements	Group		Parent company	
Exposure class	Average risk weight (%)	Capital requirement	Average risk weight (%)	Capital requirement
Corporate IRB	57	12,886	57	12,421
Institutions IRB	12	512	12	511
Retail IRB	19	3,435	22	2,352
Sovereign	1	31	1	28
Other	30	1,951	24	2,660
Total credit risk	**34**	**18,815**	**35**	**17,972**

Risk-weighted assets for credit, market, and operational risks 31 Dec 2010

	Group	Parent company
Credit risks	239,701	225,179
Market risks	4,182	2,969
Operational risks	18,227	17,745
Total risk-weighted assets[1]	**262,110**	**245,893**

[1] Excluding transition rules.

Capital ratios 2010		
Tier 1 capital ratio, %	8.5	8.6
Total capital ratio, %	10.8	11.2

More Capital Adequacy information for the Group can be found in the Risk, Liquidity and Capital management section in the Board of Directors' report. The qualitative disclosures 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 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 directly affecting Nordea as per end of 2011.

Note 38:

Classification of financial instruments

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	Total
Assets							
Cash and balances with central banks	5,299						5,299
Loans to credit institutions[1]	26,747			196			26,943
Loans to the public[1]	459,021		2,225	3,157			464,403
Interest-bearing securities		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
Other assets	644			3,219			3,863
Prepaid expenses and accrued income	2,442			245			2,687
Total	**494,811**	**11,827**	**49,803**	**6,822**	**1,689**	**21,940**	**586,892**

[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, and 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 increase 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 to 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	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
Other liabilities	1,606	3,423		23,424	28,453
Accrued expenses and prepaid income		394		1,243	1,637
Subordinated liabilities				9,394	9,394
Total	**3,088**	**12,094**	**1,057**	**540,004**	**556,243**

Note 38:

Classification of financial instruments cont.

Group NOKm, 31 Dec 2010	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	Total
Assets							
Cash and balances with central banks	11,608						11,608
Loans to credit institutions[1]	8,579		1,112	209			9,900
Loans to the public[1]	437,309		1,589	315			439,213
Interest-bearing securities		10,954	11,241				22,195
Financial instruments pledged as collateral			245				245
Shares[2]			3,060			472	3,532
Derivatives			302		22		324
Fair value changes of the hedged items in portfolio hedge of interest rate risk	485						485
Other assets	1,320			3,235			4,555
Prepaid expenses and accrued income	1,805			298			2,103
Total	**461,106**	**10,954**	**17,549**	**4,057**	**22**	**472**	**494,160**

[1] In the parent bank Nordea Bank Norge ASA Loans to credit institutions, Loans to the public and Interest bearing securities are NOK 40,009m, NOK 344,233m, and NOK 72,195m 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 increase 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 to cost with the exception of the shares where a market price is available.

Group NOKm, 31 Dec 2010	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	Total
Liabilities					
Deposits by credit institutions	371	10,030		186,469	196,870
Deposits and borrowings from the public		163		233,899	234,062
Debt securities in issue				11,367	11,367
Derivatives	2,964		743		3,707
Fair value changes of the hedged items in portfolio hedge of interest rate risk				17	17
Other liabilities	946	3,945		1,249	6,140
Accrued expenses and prepaid income		429		636	1,065
Subordinated liabilities				9,542	9,542
Total	**4,281**	**14,567**	**743**	**443,179**	**462,770**

Note 39:
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 38 Classification of financial instruments.

	31 Dec 2011		31 Dec 2010	
NOKm	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	5,299	5,299	11,608	11,608
Loans to credit institutions	26,943	26,973	9,900	9,933
Loans to the public	464,403	463,776	439,213	438,869
Interest-bearing securities	75,057	75,051	22,195	22,039
Financial instruments pledged as collateral	534	534	245	245
Shares	1,645	1,645	3,532	3,532
Derivatives	5,803	5,803	324	324
Fair value changes of the hedged items in portfolio hedge of interest rate risk	658	658	485	485
Investments in associated undertakings	1,277	1,277	1,199	1,199
Intangible assets	461	461	423	423
Property and equipment	302	302	292	292
Investment property	1	1	0	0
Deferred tax assets	269	269	1,173	1,173
Other assets	3,888	3,888	4,561	4,561
Prepaid expenses and accrued income	2,773	2,773	2,133	2,133
Total assets	**589,313**	**588,710**	**497,283**	**496,816**
Liabilities				
Deposits by credit institutions	239,470	239,629	196,870	196,981
Deposits and borrowings from the public	223,195	222,953	234,062	234,091
Debt securities in issue	51,471	51,474	11,367	11,363
Derivatives	2,005	2,005	3,707	3,707
Fair value changes of the hedged items in portfolio hedge of interest rate risk	618	618	17	17
Current tax liabilities	198	198	2,396	2,396
Other liabilities	28,583	28,583	6,276	6,275
Accrued expenses and prepaid income	2,368	2,368	1,873	1,873
Provisions	512	512	411	411
Retirement benefit obligations	1,087	1,087	1,199	1,199
Subordinated liabilities	9,394	9,382	9,542	9,529
Total liabilities	**558,901**	**558,809**	**467,720**	**467,842**

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 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, Intangible assets, Property and equipment and Provisions.

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

Note 39:
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 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 quotes in active markets exist.

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 markets 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 certain complex and/or structured financial instruments.

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

	31 Dec 2011			31 Dec 2010		
NOKm	Instruments with quoted prices (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Instruments with quoted prices (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)
Assets						
Loans to credit institutions		196			1,321	
Loans to the public		5,382			1,903	
Debt securities[1]	57,687	6,077		6,810	4,431	
Shares	1,506		139	3,243		534
Derivatives	19	5,784		9	315	
Other assets		3,219			3,235	
Prepaid expenses and accrued income		245			298	
Liabilities						
Deposits by credit institutions		8,811			10,400	
Deposits and borrowings from the public					163	
Derivatives	6	1,999		35	3,672	
Other liabilities		5,029			4,891	
Accrued expenses and prepaid income		394			429	

[1] Of which NOK 63,230m (11,241) in Interest-bearing securities (the portion held at fair value in Note 38 Classification of financial instruments). NOK 534m (0) relates to the balance sheet item Financial instruments pledged as collateral.

Note 39:

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.

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

The above financial assets and liabilities were transferred from level 1 to level 2 as they ceased to be actively traded during the year and fair values were consequently obtained using valuation techniques using observable market inputs.

There were no transfers between level 1 and 2 during 2010.

Movements in level 3

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

NOKm	At 1 January 2011	Transfers into/out of level 3	At 31 December 2011
Assets			
Shares	534	-395	139

NOKm	At 1 January 2010	Transfers into/out of level 3	At 31 December 2010
Assets			
Debt securities	1	-1	0
Shares	116	418	534

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

The following table shows the sensitivity of the fair value of level 3 instruments to changes in key assumptions, by class of instruments.

31 Dec 2011, NOKm	Carrying amount	Effect of reasonably possible favourable alternative assumption	Effect of reasonably possible unfavourable alternative assumption
Assets			
Shares	139	0	0

31 Dec 2010, NOKm	Carrying amount	Effect of reasonably possible favourable alternative assumption	Effect of reasonably possible unfavourable alternative assumption
Assets			
Shares	534	0	0

Note 40:
Assets and liabilities in foreign currencies[1]

Group

31 Dec 2011, NOKbn	EUR	SEK	DKK	NOK	USD	Other	Total
Assets							
Loans to credit institutions	7	0	0	18	0	2	27
Loans to the public	11	6	3	382	56	6	464
Interest-bearing securities	27	0	0	32	16	0	75
Other assets	1	0	0	22	0	0	23
Total assets	**46**	**6**	**3**	**454**	**72**	**8**	**589**
Liabilities and equity							
Deposits by credit institutions	32	1	0	58	145	3	239
Deposits and borrowings from the public	10	2	1	193	15	2	223
Debt securities in issue	0	0	0	33	18	0	51
Subordinated liabilities	1	0	0	3	5	0	9
Other liabilities and equity	22	0	0	44	1	0	67
Total liabilities and equity	**65**	**3**	**1**	**331**	**184**	**5**	**589**

Group

31 Dec 2010, NOKbn	EUR	SEK	DKK	NOK	USD	Other	Total
Assets							
Loans to credit institutions	4	0	0	5	0	1	10
Loans to the public	12	8	2	351	59	8	440
Interest-bearing securities	10	0	0	10	1	0	21
Other assets	1	0	0	24	1	0	26
Total assets	**27**	**8**	**2**	**390**	**61**	**9**	**497**
Liabilities and equity							
Deposits by credit institutions	28	0	1	56	110	2	197
Deposits and borrowings from the public	15	3	1	192	21	2	234
Debt securities in issue	0	0	0	11	0	0	11
Subordinated liabilities	2	0	0	0	8	0	10
Other liabilities and equity	0	0	0	45	0	0	45
Total liabilities and equity	**45**	**3**	**2**	**304**	**139**	**4**	**497**

[1] **Includes equity**

Note 41:
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 repuchase and securities borrowing agreements are disclosed below.

	Group		Parent company	
NOKm	31 Dec 2011 [2]	31 Dec 2010 [1, 2]	31 Dec 2011 [2]	31 Dec 2010 [1, 2]
Reverse repurchase agreements				
Received collaterals which can be repledged or sold	2,224	2,700	2,224	2,700
– of which repledged or sold	0	0	0	0
Securities borrowing agreements				
Received collaterals which can be repledged or sold	3,742	3,346	3,742	3,346
– of which repledged or sold	3,317	3,406	3,317	3,406
Sum	**5,966**	**6,046**	**5,966**	**6,046**

[1] The comparative figures for 2010 have been restated to ensure consistency between the years.

[2] Recieved collaterals are reported net of internal collaterals recieved of NOK 275m (363), which can be repledged or sold externally.

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.

Remaining maturity

31 Dec 2011, NOKm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Without fixed maturity	Total
Cash and balances with central banks	5,299	0	0	0	0	0	5,299
Loans to credit institutions	11,919	14,699	92	233	0	0	26,943
Loans to the public	76,275	9,974	11,522	108,326	258,306	0	464,403
Interest-bearing securities	7	6,191	5,829	58,630	4,400	0	75,057
Financial instruments pledged as collateral	0	534	0	0	0	0	534
Derivatives	0	3,901	71	1,451	380	0	5,803
Fair value changes of the hedged items in portfolio hedge of interest rate risk	426	2	7	167	56	0	658
Total assets with fixed maturities	**93,926**	**35,301**	**17,521**	**168,807**	**263,142**	**0**	**578,697**
Other assets	4,684	919	44	364	650	3,955	10,616
Total assets	**98,610**	**36,220**	**17,565**	**169,171**	**263,792**	**3,955**	**589,313**
Deposits by credit institutions	34,172	55,071	132,138	18,089	0	0	239,470
Deposits and borrowings from the public	223,195	0	0	0	0	0	223,195
Debt securities in issue	0	400	100	39,896	11,075	0	51,471
Derivatives	848	91	673	393	0	0	2,005
Fair value changes of the hedged items in portfolio hedge of interest rate risk	618	0	0	0	0	0	618
Subordinated liabilities	0	0	0	3,200	6,194	0	9,394
Total liabilities with fixed maturities	**258,833**	**55,562**	**132,911**	**61,578**	**17,269**	**0**	**526,153**
Other liabilities	0	30,951	710	0	1,087	0	32,748
Total liabilities	**258,833**	**86,513**	**133,621**	**61,578**	**18,356**	**0**	**558,901**

Information on contractual cash flows can be found in the Liquidity Risk section of the Board of Directors' report.

Remaining maturity

31 Dec 2010, NOKm	Payable on demand	Maximum 3 months	3–12 months	1–5 years	More than 5 years	Without fixed maturity[1]	Total
Cash and balances with central banks	11,608	0	0	0	0	0	11,608
Loans to credit institutions	8,403	1,122	95	280	0	0	9,900
Loans to the public	56,536	9,083	14,544	101,649	257,401	0	439,213
Interest-bearing securities	112	1,829	7,856	10,796	1,602	0	22,195
Financial instruments pledged as collateral	245	0	0	0	0	0	245
Derivatives	0	260	40	15	9	0	324
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	1	19	163	302	0	485
Total assets with fixed maturities	**76,904**	**12,295**	**22,554**	**112,903**	**259,314**	**0**	**483,970**
Other assets	6,170	932	1,216	0	0	4,995	13,313
Total assets	**83,074**	**13,227**	**23,770**	**112,903**	**259,314**	**4,995**	**497,283**
Deposits by credit institutions	27,753	81,759	82,144	1,476	3,738	0	196,870
Deposits and borrowings from the public	234,027	35	0	0	0	0	234,062
Debt securities in issue	10	0	1,077	4,808	5,472	0	11,367
Derivatives	0	2,872	78	469	288	0	3,707
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	13	4	0	0	17
Subordinated liabilities	0	0	0	0	9,542	0	9,542
Total liabilities with fixed maturities	**261,790**	**84,666**	**83,312**	**6,757**	**19,040**	**0**	**455,565**
Other liabilities	0	8,149	2,396	411	1,199	0	12,155
Total liabilities	**261,790**	**92,815**	**85,708**	**7,168**	**20,239**	**0**	**467,720**

[1] The comparative figures for 2010 have been restated to ensure consistency between the years.

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[1]		Other related parties[1]	
Group	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Assets				
Loans	0	0	9,517	7,539
Interest-bearing securities	0	0	0	77
Derivatives	0	0	4,109	172
Other assets	0	0	41	45
Total assets	**0**	**0**	**13,667**	**7,833**
Liabilities				
Deposits	24	33	185,517	147,492
Derivatives	0	0	640	2,471
Subordinated liabilities	0	0	8,196	8,374
Other liabilities	0	0	918	676
Total liabilities	**24**	**33**	**195,271**	**159,013**
Off-balance sheet				
Contingent liabilities	0	0	0	0

	Associated undertakings[1]		Other related parties[1]	
Group	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010
Net interest income				
Interest income	0	0	115	116
Interest expense	1	1	1,865	1,800
Total income and expenses	**-1**	**-1**	**-1,750**	**-1,684**

[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.

During the year NBN's shareholding in Nets, corresponding to 4.92% of the outstanding shares in Nets, were sold to Nordea Bank Denmark. The shares were sold at a fair value of NOK 425m, resulting in a gain of NOK 32m being recorded within Net result from items at fair value. Nordea Liv administers NBN's DCP pension plan, see Note 32 Retirement benefit obligations. NBN paid a total of NOK 22m in premiums to Nordea Liv in 2011.

Note 43:
Related-party transactions cont.

Parent company	Group undertakings		Associated undertakings		Nordea Norge Pension Foundations	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010	2011	2010
Assets						
Loans	29,643	30,136	0	0	0	0
Interest-bearing securities	20,780	50,000	0	0	0	0
Derivatives	241	480	0	0	0	0
Other assets	0	8	0	0	0	0
Prepaid expenses and accrued income	28	21	0	0	0	0
Total assets	**50,692**	**80,645**	**0**	**0**	**0**	**0**
Liabilities						
Deposits	37	36	24	33	58	57
Derivatives	1,698	0	0	0	0	0
Other liabilities	0	1	0	0	0	0
Total liabilities	**1,735**	**37**	**24**	**33**	**58**	**57**
Off-balance sheet						
Contingent liabilities	3,707	3,725	0	0	0	0

Parent company	Group undertakings		Associated undertakings		Nordea Norge Pension Foundations	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2011	2010	2011	2010	2011	2010
Net interest income						
Interest income	1,660	1,371	0	0	0	0
Interest expense	30	19	1	1	2	2
Total income and expenses	**1,630**	**1,352**	**-1**	**-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

Group

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) 2011, which is available on www.nordea.com.

Credit risk is defined as the risk of loss if counterparts fail to fulfil their agreed obligations and that the pledged collateral does not cover the claims. Credit risk stems mainly from various forms of lending, but also from guarantees and documentary credits, counterparty credit risk in derivatives contracts, transfer risk attributable to the transfer of money from another country and settlement risk.

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 additional information on loans and collaterals.

Interest-bearing securities

	31 Dec 2011		31 Dec 2010	
NOKm	At fair value	At amortised cost	At fair value	At amortised cost
State and sovereigns	23,574	304	5,181	304
Municipalities and other public bodies	9,756	80	1,255	91
Mortgage institutions	0	5,821	0	375
Other credit institutions	28,033	5,622	3,979	10,184
Corporates	1,867	0	826	0
Total	**63,230**	**11,827**	**11,241**	**10,954**

Loans to corporate customers, by size of loan

NOKm	31 Dec 2011	%	31 Dec 2010	%
1-90	75,266	30	80,022	32
90-450	86,190	34	83,281	34
450-900	38,039	15	41,315	17
900-2250	43,961	17	34,233	14
2250-4500	10,827	4	7,495	3
> 4500	0	0	0	0
Total	**254,283**	**100**	**246,346**	**100**

Restructured loans current year

NOKm	31 Dec 2011	31 Dec 2010
Loans and receivables before restructuring, book value	130	0
Loans and receivables after restructuring, book value	0	0

Assets taken over for protection of claims

NOKm	31 Dec 2011	31 Dec 2010
Current assets, book value:		
Land and buildings	1	1
Other assets	26	6
Total	**27**	**7**

Past due loans, excl. impaired loans

	31 Dec 2011		31 Dec 2010	
NOKm	Corporate customers	Household customers	Corporate customers	Household customers
6-30 days	1,091	3,376	788	2,726
31-60 days	250	812	228	725
61-90 days	101	119	24	45
>90 days	15	84	14	126
Total	**1,457**	**4,391**	**1,054**	**3,622**
Past due not impaired/loans and receivables in %	0.6	2.1	0.4	1.9

Note 45:
Covered bonds

Three years ago, in Q4 2008, the Norwegian authorities presented an offer to the banks 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 is not defined as a credit institution and, therefore, cannot itself issue these types of securities. However, Nordea Bank Norge 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 Nordea Bank Norge 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 Nordea Bank Norge ASA. In addition, Nordea Bank Norge 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 Nordea Bank Norge ASA and NE entered the same type of transaction as described above, at the same conditions. The amount of loans sold in May 2009 was NOK 61bn. It was also decided that if necessary, Nordea Bank Norge 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, Nordea Bank Norge 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 Nordea Bank Norge ASA after the transfer. All client relationships continue to stay in Nordea Bank Norge ASA as agent for NE. The transfer did not create any added value in this respect.

In 2008 and 2009, the actual transaction was reported as a net amount in both Nordea Bank Norge 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 were rated and NOK 9.3bn were sold in the open market at year-end 2010.

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 Nordea Bank Norge ASA a total of NOK 30bn in bonds. These bonds in addition to the US bonds, have been rated and a total NOK 49.4bn has been sold in the open market at end 2011.

Main figures relating to Covered Bonds, in NOKm:	Dec 2008	Dec 2009	Dec 2010	Dec 2011
Net mortgage portfolio, moved from Nordea Bank Norge ASA to NE	-24,402	-82,038	-80,786	-88,582
Covered bonds issued in NE, sold to Nordea Bank Norge ASA	15,000	65,000	65,000	65,000
Covered bonds matured	0	0	-15,000	-15,000
Covered bonds, bought back from Nordea Bank Norge ASA	0	0	0	-30,000
Covered bonds, rated and sold in the open market	0	0	9,325	49,379

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

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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 balance sheet as at 31 December, 2011, and the income statement and the statement of 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 Chief Executive Officer's Responsibility for the Financial Statements

The Board of Directors and the Chief Executive Officer 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 Chief Executive Officer 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 judgement, 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.

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, 2011, 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, 8 February 2012
KPMG AS

Arne Frogner
State authorised 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 2011 including consolidated comparative figures as at 31 December 2010 ("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 2011 and as at 31 December 2010 and of the results of the Group's operations and cash flows for the year 2011 and the year 2010.

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 transaction.

Nordea Bank Norge ASA
Oslo, 8 February 2012

Ari Kaperi
Chairman

Fredrik Rystedt
Deputy chairman

Mary H. Moe

Karin S. Thorburn

Steinar Nickelsen
Employee representative

Gunn Wærsted
Chief Executive Officer

Report by the Control Committee 2011

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

During 2011 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 2011 and is of the view that they are in accordance with prevailing accounting regulations and International Financial Reporting Standards settled by the European Union. The Control Committee considers the Board of Directors' evaluation of the 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 2011 the Control Committee refers to the auditor's report of 8 February 2012 and supports the views expressed therein concerning the submitted annual accounts.

Oslo, 13 February 2012

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, 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 31 December 2011

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

Fredrik Rystedt
Born 1963. Chief Financial Officer of Nordea. Member since 2010.

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.

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