Annual Report 2014

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

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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

	2014	2013	Change %	2012	2011	2010
Total operating income, NOKm	13,173	12,685	4	12,083	11,336	11,650
Total operating expenses[2], NOKm	5,498	4,725	16	4,989	5,323	5,076
Profit before loan losses[2], NOKm	7,675	7,960	-4	7,094	6,013	6,574
Net loan losses, NOKm	821	1,401	-41	958	1,432	725
Operating profit[2], NOKm	6,854	6,559	4	6,136	4,581	5,849
Net profit for the year[2], NOKm	4,963	4,701	6	4,440	3,347	4,300
Loans to the public, NOKbn	499.9	462.8	8	456.0	464.4	439.2
Deposits and borrowings from the public, NOKbn	236.8	218.9	8	219.0	223.2	234.1
of which savings deposits	93.6	87.7	7	89.6	87.2	79.1
Equity[2], NOKbn	45.1	40.8	11	35.9	30.4	29.6
Total assets[3], NOKbn	649.7	598.1	9	573.7	589.3	497.3

Ratios and key figures

	2014	2013	2012	2011[4]	2010[4]
Earnings per share (EPS)[2], NOK	9.0	8.5	8.1	6.1	7.8
Equity per share[1,2], NOK	81.8	74.0	65.1	55.2	53.6
Shares outstanding[1], million	551	551	551	551	551
Return on equity[2], %	11.6	12.3	14.5	11.6	15.6
Return on assets, %	0.8	0.8	0.8	0.6	0.9
Cost/income ratio[2], %	42	37	41	47	44
Loan loss ratio, basis points	16	30	19	32	17
Common Equity Tier 1 capital ratio, excluding transition rules[1], %	21.7	17.8	14.6	10.1	9.4
Tier 1 capital ratio, excluding transition rules[1], %	24.2	20.0	16.7	12.0	10.0
Total capital ratio, excluding transition rules[1], %	26.3	21.3	17.6	13.4	12.8
Common Equity Tier 1 capital ratio, including transition rules[1], %	12.7	12.5	10.7	8.0	7.9
Tier 1 capital ratio, including transition rules[1], %	14.2	14.0	12.3	9.5	8.5
Total capital ratio, including transition rules[1], %	15.4	15.0	13.0	10.6	10.8
Core tier 1 capital [1], NOKm	44,552	40,019	33,774	26,302	24,529
Tier 1 capital[1], NOKm	49,739	44,978	38,589	31,239	26,223
Risk exposure amount, incl transition rules[1], NOKbn	351	321	314	329	310
Number of employees[1] (full-time equivalents)	2,703	2,862	2,889	3,132	3,229

[1] End of the year.

[2] Figures for 2012 are restated due to the implementation of the amended IAS 19 Employee benefits in 2013.

[3] Figures for 2012 are restated due to changes in policies regarding starting bonds in 2013.

[4] The comparative figures for 2011–2010 have not been restated due to the amendment to IAS 19 and change in policies regarding forward starting bonds in 2013.

Nordea Bank Norge Board of Directors' report

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

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, and the Nordea Bank AB Annual Report, with activities and earnings reported by the business areas, encompasses all the operations of NBN.

Legal structure

Nordea aims at continuous simplification of its legal structure, and as regards the Nordic banks the aim is that Nordea Bank AB (publ.) will be converted into a European company. A conversion is conditional on, among other things, 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 2015.

Subsidiaries and foreign branches

NBN ASA has subsidiaries in Norway. NBN ASA has no foreign branches after the branches in New York and Cayman Islands were closed in 2013. NBN ASA has no foreign representative offices.

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, other than the covered bonds setup.

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 derecognition of the loans in NBN ASA and recognition in NE was performed. NBN Group figures remain unchanged. In 2014 a total of NOK 20.2bn in covered bonds were issued in NE. For more information about this, see Note 46 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.

Macroeconomic and financial market development

The global economy moved cautiously forward during the fourth quarter even though the development was uneven. The US economy on the one hand continued to develop robustly where, in particular, strong job creation reduced unemployment to levels not seen since 2008. The healthy recovery paved the way for the Federal Reserve to end its asset purchase program in October. Meanwhile, moderate wage growth combined with collapsing energy prices balanced market expectations regarding a possible exit from the US central bank's multi-year zero rate policy.

The euro area economy on the other hand continued to struggle due to structurally low demand and confidence repercussions from geopolitical concerns. Weak growth along with low inflation and inflation expectations induced the European Central Bank (ECB) to initiate covered bonds and ABSs purchase programs in order to prevent increased deflationary risks. The ECB also announced that it might launch a sovereign bond purchase program in the beginning of 2015. European bond markets responded accordingly with substantially lower rates, in particular for longer maturities; for example, German 10-year yields reached all-time lows at 0.55% at the end of the quarter. Financial markets were overall driven by oil prices that fell more than 40% over the quarter due to concerns regarding excess supply in energy markets. The dramatic price drop generated substantial currency deprecation for oil producing countries such as Norway and Russia. European equities fell slightly while credit spreads tightened during the quarter. US equities gained almost 5% while the US dollar strengthened against most currencies as economic divergence continued.

The Norwegian mainland economy grew by 0.4% quarter-on-quarter from the third quarter. Consumption figures rebounded after a rather weak third quarter. Manufacturing production increased somewhat despite the negative oil sector impact on overall investments. Norges Bank cut key rates in December by 25bps due to a significant weakening of the economic outlook, which was predominantly related to the energy price development. Norges Bank also indicated a rather high possibility for further easing already in Q1 2015, despite a 10% trade-weighted weakening of the Norwegian Krone. Norwegian equities fell 4.5% in Q4 while 10-year yields dropped 60bps.

Business development in 2014

In 2014 we have had a focused execution of our cost efficiency plan with a leaner employee base, and delivered a strong result. Net profit increased by 6% in 2014 compared to 2013 and loan loss ratio decreased 14 basis points to 16 basis points, which is below the 10-year average. This is despite a challenging environment with low growth, low interest rates and increased geopolitical tensions. The swift transformation of our customers' behaviour continues, and with increasing use of our online services our customers experience increased flexibility.

At Nordea, we put relationships first, striving to create superior value for every one of our customers and shareholders. In Retail Banking over 18,000 new customers chose Nordea as their financial partner during 2014. Contribution from saving related commissions maintained its strong momentum, as net inflow hit record-levels.

In Wholesale Banking we took a leading role in many of the large transactions in the market, and in Q4 NBN was ranked number 1 as the largest arranger in the Norwegian bond market. CIB passed NOK 2bn in total income during 2014, while Shipping increased their Operating profit by 49%.

Result summary for 2014

Income

Total operating income was NOK 13,173m (12,685), an increase of 4%, mainly driven by strong net interest income and greater results from net fee and commission income.

Net interest income grew by 4% to NOK 9,808m (9,391). The increase compared to 2013 stems from growth in lending margins across all major business areas with the exception of Retail Corporate. Higher margins reflect the current market conditions, including falling market rates, risk pricing initiatives and pricing consideration for regulatory requirements.

Lending to the public increased 8% to NOK 499.9bn. Retail Household activity continued to provide growth, and corporate lending in Retail and Shipping, increased at year end compared to one year ago. Average volumes were up across all major areas except in CIB, where alternative customer funding through bond financing has increased accompanied by continued high levels of competition. The large fluctuations in the currency rate, with the NOK weakening against the USD and Euro in Q4, had a positive effect on lending balances, mainly in the Shipping portfolio.

Net deposit volumes increased 8% to NOK 236.8bn at year end. Average deposit volume increased across all major areas with the exception of CIB, where competition remains fierce.

Deposit margins mainly fell, reflecting the extreme competition in the market for deposits.

Net fee and commission income is up 9% to 2,668m. Continued focus on full customer service and cross selling has supported positive growth in NBN. The increase is driven by higher activity from lending and savings related commissions.

Net result on items at fair value jumped from NOK 512m to NOK 620m. Foreign exchange related instruments were the main contributor, driven by Treasury's currency related interest rate derivatives, impacted by the volatility in the NOK currency. Positive results from equity related instruments were up, and interest related instruments contributed positively, although reduced from last year due to a fall related to the Markets portfolio.

Results from undertakings accounted for under the equity method contributed negatively by NOK 58m, compared to a positive result of NOK 139m last year. The result is mainly related to Eksportfinans ASA, where compared to 2013 there was a higher decrease in credit spreads, contributing to unrealised losses on the valuation of Eksportfinans own debt. This was compiled with reduced interest income from decreasing lending volumes and reduced effect from financial instruments in Eksportfinans. As from fourth quarter 2011, Nordea 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 fell 33% to 135m driven by a fall in Cards related fees.

Expenses

*Total operating expense*s were up 16% to NOK 5,498m, although only by 2% after adjusting for non-recurring effects related to a restructuring provision in Q2 from the Accelerated Cost Efficiency (ACE) program of NOK 258m, impairments in Q3 of NOK 194m, and positive pension effects in 2013 of NOK220m.

Staff costs were up 19%. Adjusted for the aforementioned ACE and pension effects, staff costs increased 2% compared to 2013. The number of full-time equivalents (FTE) at end of period was reduced by 6% and ended at 2,703.

Other expenses rose 3% to NOK 1,948m, 2% adjusted for ACE provisions. The increase is mainly explained by increased activity in IT and digital banking, in line with Nordea Strategy. Various cost reductions were realised within, marketing, travel, rental and office expenses, including the introduction of paperless office solutions. Depreciation is elevated due to the impairments taken during Q3, along with one of the new head office buildings being put into use this year.

Net loan losses

Net loan losses dropped 41% to NOK 821m, from NOK 1,401m in 2013. The trend for loan losses being concentrated across few corporate customers continued in 2014, in particular in Telecommunication operators, Shipping & offshore, Industrial commercial services, and Real Estate. Impaired loans gross grew 24% from last year. The net loan loss ratio at the end of the year was 16 basis points compared to 30 basis points in 2013. Individual loan losses amounted to 17 basis points, while collective loan losses lead to -1 basis points.

Taxes

The income tax expense was NOK 1,891m, giving an effective tax rate of 27.6% (28.3) for NBN Group and 26.9% (29.8) for the parent company.

Net profit

The net profit for the year rose 6% and amounted to NOK 4,963m (4,701) due to higher income and reduced losses, and adjusted for aforementioned non-recurring effects, net profit rose 17%. The return on equity was 11.6%, and 12.3% adjusted for non-recurring effects.

Comments on the Balance Sheets - financial structure

Total assets grew by 9%, to NOK 650bn at the end of 2014. The Norwegian Krone (NOK) weakened towards EUR and USD compared to 2013.

Assets

The changes on the asset side of the balance sheet are explained by two main drivers. Growth in loans to the public amounted to 37bn, driven by both Retail Household and Corporate, as well as Shipping. Further increase of 21bn was driven by settlement receivables from repurchase agreements reported on other assets.

Liabilities and funding activities

Total liabilities increased 8% to NOK 605bn. Deposits from the public increased 18bn, mainly in Retail Household and CIB, while debt securities increased related to the covered bond program and other liabilities increased related to settlement payables on repurchase agreements.

Deposits from credit institutions within the Nordea Group amounts to 86% (85) of total deposits from credit institutions. This is a reflection of the advantage of having four home markets to utilise in managing Nordea's liquidity and funding positions.

Equity

Shareholder's equity grew 14% and ended at NOK 45bn. The increase includes net profit for the year of NOK 4,963m.

Appropriation of net profit for the year

The net profit in the parent company for the year amounted to NOK 3,762m, up 36% from 2,774m last year.

According to IFRS, distribution of group contributions and dividends will not be recognised until a formal decision is made by the General Assembly. All of the net profit as of 31 December 2014 will therefore be distributed to retained earnings in the balance sheet as of 31 December 2014. As a part of the strategy for NBN ASA, no dividend is planned to be paid from the 2014 earnings in order to maintain the capital adequacy position.

NBN ASA will receive a group contribution with taxable effect of NOK 1,800m from the wholly owned subsidiary Nordea Eiendomskreditt AS. The Board of Directors will propose to the General Assembly a distribution of a group contribution without taxable effect of NOK 1,314m from NBN ASA to Nordea Eiendomskreditt AS. This will be treated as an investment in Nordea Eiendomskreditt AS. The group contributions will not affect the equity in NBN in 2014.

For the General Assembly March 2015 it will be proposed a distribution of a group contribution without taxable effect of NOK 1,341m from NBN ASA to Nordea Eiendomskreditt AS and that net profit of NOK 3,762m for 2014 is retained within NBN ASA.

Nordea's funding and liquidity operations

Approximately NOK 20.2bn of covered bonds were issued during the year. For further information on liquidity management see pages 14-15.

Off-balance sheet commitments

The bank's business operations include different off-balance sheet items, mainly guarantees and credit commitments. For total exposure regarding these items, see Note 36 Contingent liabilities and Note 37 Commitments.

Other Information

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

The Board of Directors considers solidity as per 31 December 2014 to be healthy.

Credit risk appetite of 25 basis points of total loans over a business cycle remains.

NBN is not engaged in significant research and development activities.

Risk, liquidity and capital management

Management of risk, liquidity and capital are key success factors in the financial services industry. The maintaining of risk awareness within the organisation is ingrained in the business strategies. Nordea has clearly defined risk, liquidity and capital management frameworks, including policies and instructions for different risk types, capital adequacy and for the capital structure.

Management principles and control

Group Board and Board Risk Committee

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

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

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

Responsibility of CEO and GEM

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

The CEO in Group Executive Management (GEM) decides on Nordea's earnings volatility measurement framework(s) and targets for these, such as the Structural Interest Income Risk (SIIR).

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

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

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

- The Nordea Risk Committee has established sub-committees for its work and decision-making within specific risk areas.

- The Group Executive Management Credit Committee (GEM CC) and Executive Credit Committee (ECC) are chaired by the CRO in GEM while the Group Credit Committee Retail Banking (GCCR) and the Group Credit Committee Wholesale Banking (GCCW) are chaired by the Chief Credit Officer (CCO) in GEM. These credit committees decide on major credit risk customer limits. Credit risk limits are granted as individual limits for customers or consolidated customer groups and as industry limits for certain defined industries.

Responsibility of Group Risk Management and Group Corporate Centre

Within Nordea, the 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 in GEM, is responsible for the risk management framework and processes. Group Corporate Centre, headed by the CFO in GEM, is responsible for the capital policy, the composition of the capital base, the capital adequacy framework and for management of liquidity risk.

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

Risk appetite

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

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

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

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

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

Monitoring and reporting

The "Policy for internal Control and Risk Management in the Nordea Group" states that the management of risks includes all activities aiming at identifying, 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. Nordea Group maintains a high standard of risk management by means of applying available techniques and methodology to its own needs. The control environment in Nordea is based on, among other things, the principles for segregation of duties and independence. Monitoring and reporting of risk is conducted on a daily basis for market and liquidity risk, and on a monthly and quarterly basis for credit and operational risk.

Risk reporting, including reporting the development of RWA is regularly made to GEM and the Nordea Board of Directors. Group Internal Audit (GIA) makes an independent evaluation of the processes regarding risk and capital management in accordance with the annual audit plan.

Disclosure requirements of the CRR/CRD VI – Capital and risk management report 2014

Additional and more detailed information on risk and capital management is presented in the Capital and Risk Management Report 2014, in accordance with the national capital adequacy legislation which is based on the EU commonly referred to as the Capital Requirements Directive (the CRD), which in turn is based on the Basel II framework issued by the Basel Committee on Banking Supervision. The report is available at www.nordea.com.

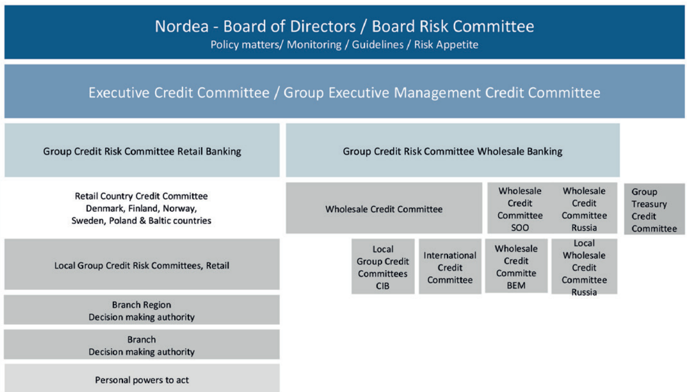
Risk management

Credit Risk management

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

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 risk categorization and the exposure of the customer decide at what level the decision will be made. Responsibility for a credit exposure lies with a customer responsible unit. Customers are assigned a rating or score in accordance with Nordea's rating and scoring guidelines.

Figure 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 that the pledged collateral does not cover the claims. Credit risk stems mainly from various forms of lending, but also from guarantees and documentary credits, counterparty credit risk in derivatives contracts, transfer risk attributable to the transfer of money from another country and settlement risk. For monitoring the distribution of a portfolio, improving the risk management and defining a common strategy towards specific industries there are industry credit principles and industry credit policies in place establishing requirements and caps.

Individual and collective assessment of impairment

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

A provision is recognized if there is objective evidence based on loss events and observable data that the customer's future cash flow is weakened to the extent that full repayment is unlikely, collateral included. Exposures with provision are considered as impaired. The size of the provision is equal to the estimated loss being the difference between the book value and the discounted value of the future cash flow, including the value of pledged collateral. Impaired exposures can be either performing or non-performing. Exposures that have been past due more than 90 days are automatically regarded as non-performing, and reported as impaired, or not impaired depending on the deemed loss potential.

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

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

Further information on credit risk is presented in Note 45 Credit risk disclosures to the financial statements.

Credit portfolio

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

NBN's total loans increased by 8%, excluding loans and receivables to credit institutions, to NOK 500bn during 2014 (NOK 463bn). This was mainly attributable to an increase in the household of 6% and corporate portfolio by 10%. Including off-balance sheet exposures and exposures related to securities, the total credit risk exposure at year end was NOK 748bn (NOK 700bn). Out of total lending to the public, corporate customers accounted for 53% (52%) and household customers 47% (48%). Loans to central banks and credit institutions, mainly in the form of inter-bank deposits, increased to NOK 18bn (NOK 33bn) at the end of 2014.

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

NOKm	31 Dec 2014	31 Dec 2013
To credit institutions	**17,863**	**33,076**
To the public	499,922	462,772
- of which corporate	252,922	238,583
- of which household	236,793	223,751
- of which public sector	10,207	437
Total loans and receivables	**517,785**	**495,848**
Off balance credit exposure [1]	121,933	113,076
Counterparty risk exposure [2]	15,979	7,321
Treasury bills and interest-bearing securities [3]	92,691	83,931
Total credit risk exposure	**748,388**	**700,176**

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

[2] Updated to be in line with group policy

[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 2014 increased to NOK 263bn (NOK 239bn). Industrial Commercial services etc, Real Estate management and investment and Shipping and Offshore were the sectors that increased the most. While Telecommunication operators, Other Financial Institutions and Transportation were the sectors that decreased the most. Real estate remains the largest sector in NBN's lending portfolio, at NOK 83bn (NOK 79bn). The commercial real estate portfolio comprises both relatively large and financially strong companies as well as many small and medium sized companies.

Loans to Shipping and Offshore increased to NOK 42bn (NOK 39bn). The shipping portfolio is well diversified by type of vessel, has a focus on large and financially robust industrial players and exhibits strong credit quality, with an average rating of 4. Nordea is a leading bank to the global Shipping and Offshore sector with strong brand recognition and a world leading loan syndication franchise. Reflecting Nordea's global customer strategy, there is an even distribution between Nordic and non-Nordic customers.

The distribution of loans to corporates in Nordea Bank Norge, by size of loans, shows a high degree of diversification where approx. 83% (68%) 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 2014, loans to household customers increased by 6% to NOK 237bn (NOK 224bn). The increase is mainly attributable to a 6% increase in mortgage loans to NOK 226bn (NOK 214bn). Consumer loans increased to NOK 10.5bn (NOK 9.7bn). The proportion of mortgage loans of total household loans was unchanged at 96% (96%).

Geographical distribution

Lending to the public distributed by borrower domicile shows that the Nordic market was unchanged at 92% (94%). Latin America represents the main part of the lending outside the Nordic countries.

Loans to the public by industry

NOKm	31 Dec 2014
Energy (oil, gas etc.)	10,235
Metals and mining materials	1,427
Paper and forest materials	490
Other materials (building materials, etc.)	3,607
Industrial capital goods	1,933
Industrial commercial services, etc.	24,403
Construction and engineering	15,280
Shipping and offshore	42,379
Transportation	6,541
Consumer durables (cars, appliances, etc.)	11,363
Media and leisure	4,941
Retail trade	11,748
Consumer staples (food, agriculture, etc.)	16,993
Health care and pharmaceuticals	1,090
Financial institutions	5,340
Real estate	82,557
IT software, hardware and services	2,362
Telecommunication equipment	1
Telecommunication operators	1,053
Utilities (distribution and productions)	7,654
Other, public and organisations	1,525
Corporate	**252,922**
Household mortgages	226,294
Household consumer	10,499
Public sector	10,207
Total	**499,922**

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 84% (80%) of the corporate exposures is rated 4– or higher and the portion of institutional exposures rated 5– or higher is 99% (100%). About 92% (91%) of the retail exposures are scored C– or higher.

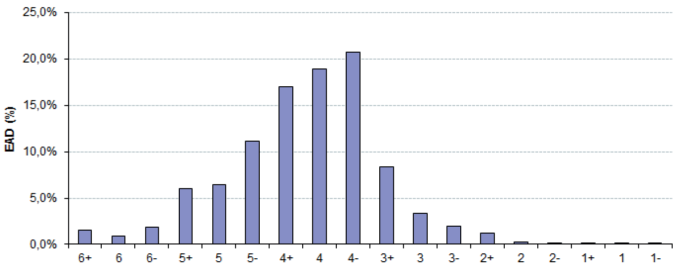
Impaired loans

Impaired loans gross in NBN increased during the year to NOK 4,374 m from NOK 3,525m, corresponding to 84bp of total loans (71bp). 53% (36%) of impaired loans gross are performing loans and 47% (64%) are non-performing loans. Impaired loans net, after allowances for individually assessed impaired loans amounted to NOK 1,946m (NOK 1,734m), corresponding to 37bp of total loans (35). Allowances for individually assessed loans increased to NOK 2,428m from NOK 1,791m.

Allowances for collectively assessed loans decreased to NOK 616m from NOK 673m. The total allowance ratio was 58% (49%). The sectors showing the largest increases in impaired loans were Consumer durables, Industrial Commercial Services as well as Telecommunication operators.

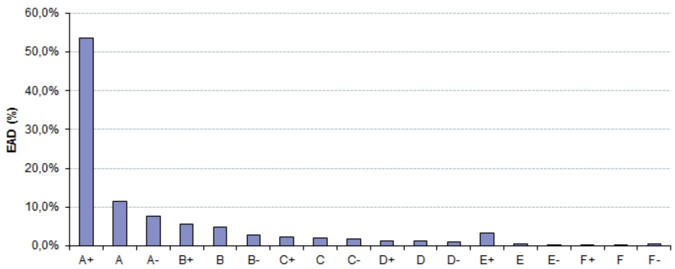
Past due loans to corporate customers 60 days or more that are not considered impaired decreased slightly to NOK 1,380m (NOK 1,384m). The volume of past due loans to household customers decreased to NOK 4,181m (NOK 5,074m) in 2014.

Rating distribution, IRB Corporate customers



Where the highest rating is 6+

Risk grade distribution, IRB Retail customers



Where the highest rating is A+

Net loan losses

Loan losses deacreased to NOK 821m in 2014 (NOK 1,401m). This corresponds to a loan loss ratio of 16bp (30bp). NOK 772m relates to corporate customers (NOK 1,298m) and NOK 49m (NOK 103m) relates to household customers. The main losses were in the corporate sectors Industrial Commercial Services, Telecommunication Operators, Consumer Durables and Real Estate Managemement and Investment.

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

NOKm	Impaired Loans, gross	Allowances (individual +collective)	Provisioning-ratio (allow-ances/im-paired loans)
Energy (oil, gas etc.)	0	8	0 %
Metals and mining materials	278	93	34 %
Paper and forest materials	6	4	68 %
Other materials (building materials, etc.)	232	161	69 %
Industrial capital goods	6	2	35 %
Industrial commercial services, etc.	478	387	81 %
Construction and engineering	120	194	162 %
Shipping and offshore	469	415	88 %
Transportation	40	19	48 %
Consumer durables (cars, appliances, etc.)	431	149	35 %
Media and leisure	37	20	54 %
Retail trade	56	56	100 %
Consumer staples (food, agriculture, etc.)	43	34	78 %
Health care and pharmaceuticals	5	4	87 %
Financial institutions	47	43	90 %
Real estate	771	341	44 %
IT software, hardware and services	1	2	133 %
Telecommunication equipment	0	0	0 %
Telecommunication operators	774	725	94 %
Utilities (distribution and productions)	15	10	64 %
Other, public and organisations	-4	17	-414 %
Corporate	3,806	2,683	71 %
Household mortgages	379	250	66 %
Household consumer	189	111	59 %
Public sector	0	0	0 %
Total impaired loans	**4,374**		
Allowances		**3,044**	
Provisioning ratio			**50%**

Counterparty credit risk

Counterparty credit risk is the risk that Nordea's counterpart in a FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions. The exposure at the end of 2014 for Nordea Bank Norge was NOK 15,979m (7,321m), of which the current exposure net (after close-out and collateral reduction) represents NOK 8,564m. 100% of the exposure and 100% of the current exposure net was towards financial institutions.

For information about financial instruments subject to master netting agreement, see Note 41 Financial instruments set off on balance or subject to netting agreements.

Market risk

Market risk is defined as the risk of loss in Nordea's holdings and transactions as a result of changes in market rates and parameters that affect the market value, for example changes to interest rates, credit spreads, FX rates, equity prices, commodity prices and option volatilities. Nordea Markets, Group Treasury and Group Asset and Liability Management are the key contributors to market risk in the Nordea Group. Nordea Markets is responsible for the customer-driven trading activities, Group Treasury is responsible for funding activities and investments for Nordea's own account, and Group Asset and Liability Management is responsible for asset and liability management, liquidity portfolios and pledge/collateral account portfolios. For all other banking activities market risks are managed by Group Treasury and Group Asset and Liability Management.

Measurement of market risk

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

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

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

Market risk analysis

The consolidated market risk for Nordea Bank Norge presented in the next table includes both the trading book and the banking book. The total VaR was NOK 156m at the end of 2014 (NOK 228m). The total risk is primarily driven by interest rate risk.

Consolidated market risk in Nordea Bank Norge, 31 December 2014

NOKm	Measure	31 Dec 2014	2014 high	2014 low	2014 avg	31 Dec 2013
Total Risk	VaR	156.0	257.1	121.3	191.0	227.7
– Interest Rate Risk	VaR	157.9	257.3	123.7	189.4	228.0
– Equity Risk	VaR	6.1	20.4	1.7	11.4	7.5
– Foreign Exchange Risk	VaR	31.0	37.0	12.4	22.0	12.5
Diversification effect		20 %	24 %	7 %	15 %	8 %

Structural Interest Income Risk (SIIR)

SIIR is the amount by which Nordea's accumulated net interest income would change during the next 12 months if all interest rates were to change by one percentage point.

SIIR reflects the mismatches in the balance sheet items and the off-balance sheet items when the interest rate repricing periods, volumes or reference rates of assets, liabilities and derivatives do not correspond exactly.

Nordea's SIIR management is based on policy statements resulting in different SIIR measures and organisational procedures. Policy statements focus on optimising financial structure, balanced risk taking and reliable earnings growth, identification of all significant sources of SIIR, measurement under stressful market conditions and adequate public information.

Group Corporate Centre has the responsibility for the operational management of SIIR.

SIIR measurement methods

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

SIIR analysis

At the end of the year, the SIIR for increasing market rates in Nordea Bank Norge was NOK 259m (NOK 284m) and the SIIR for decreasing market rates was NOK -1,552m (NOK -1,268m). 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 legal risk and compliance risk, which is the risk of business not being conducted according to obligations pursuant to laws, statutes and other regulations applicable to the operations subject to authorisation, and internal rules thereby jeopardizing customers' best interest, other stakeholders trust and increasing the risk of regulatory sanctions, financial loss or damage to the reputation and confidence. Operational risk is inherent in all activities within the organisation, in outsourced activities and in all interactions with external parties.

Managing operational risk is part of the management's responsibilities. The operational risks are monitored through regular risk assessment procedures and a systematic, quality and risk focused management of changes. Development of new products, services, activities as well as processes and systems shall be risk assessed. Identified risk elements and consequences of risk events are mitigated with, inter alia, up to date Business Continuity Plans as well as Group Crisis Management and Communication plans ensuring a good contingency preparedness in all business plans and crisis management structures. External risk transfer is used in the form of insurance, including reinsurance, to cover certain aspects of crime risk and professional liability, including the liability of directors and officers. Nordea furthermore uses insurance for travel, property and general liability purposes.

The key principle for the management of Operational risks is the three lines of defence. The first line of defence is represented by the Business Areas and Group Functions who are responsible for their own daily risk management and for operating their business within limits for risk exposure and in accordance with decided framework for internal control and risk management at first line of defence. The control functions Group Operational Risk, in Group Risk Management, and Group Compliance are in the second line of defence responsible for activities such as independently monitoring, controlling and reporting of issues related to key risks, including compliance with internal and external regulations. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes in third line of defence.

The key process for management of operational risks is the annual Operational Risk Assessment process. The process includes the Risk and Control Self-Assessment (RCSA) and the scenario analysis, and puts focus on both the risks on a divisional and unit level threatening its daily activities and the risks which could cause extreme financial losses or other significant impacts to Nordea as well as ensuring fulfilment of requirements specified in Group directives. The risks are identified both through top-down and through bottom-up analysis of results obtained from control questions as well as existing information from processes, such as incident reporting, scenario analysis, quality and risk analyses as well as 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.

Liquidity risk

Management principles and control

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

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

Liquidity risk management

Liquidity risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due. Nordea's liquidity management and strategy is based on policy statements resulting in various liquidity risk measures, limits and organisational procedures.

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

Nordea's liquidity risk management includes stress testing and a business continuity plan for liquidity management. Stress testing is defined as the evaluation of potential effects on a bank's liquidity situation under a set of exceptional but plausible events. Stress testing framework includes also survival horizon metrics (see below), which represents a combined liquidity risk scenario (idiosyncratic and market-wide stress).

Liquidity risk measurement methods
The liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. In order to manage short-term funding positions, Nordea measures the Funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. Cash flows from both on-balance sheet and off-balance sheet items are included. Funding gap risk is measured and limited for all currencies combined. The total figure for all currencies combined is limited by the Board of Directors.

To ensure funding in situations where Nordea is in urgent need of cash and the normal funding sources do not suffice, Nordea holds a liquidity buffer. The buffer minimum level is set by the Board of Directors. The liquidity buffer consists of central bank eligible high-grade liquid securities held by Group Corporate Centre that can be readily sold or used as collateral in funding operations.

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

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

Liquidity risk analysis
The short-term liquidity risk remained at moderate levels throughout 2014. The average funding gap risk, i.e. the average expected need for raising liquidity in the course of the next 30 days, was NOK +5.0bn (NOK –2.8bn). Nordea Bank Norway's liquidity buffer range was NOK 67.92 –92.95bn (NOK 74.5 – 99.5bn) throughout 2014 with an average buffer size of NOK 81.06bn (NOK 79.6bn). Nordea Bank Norway's liquidity buffer is highly liquid, consisting of only central bank eligible securities held by Group Treasury. Survival horizon was in the range of NOK 68.0 –109.9bn (NOK 61.4 –127.4bn) throughout 2014 with an average of NOK 91.0bn (NOK 87.0bn). The yearly average for the net balance of stable funding was NOK 1bn (NOK 51.5bn).

For additional information on contractual cash flows, see Note 43 Maturity analysis for assets and liabilities.

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

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

The capital requirement and the capital base described in this section follow the Norwegian rules for calculating capital requirements, which resemble The Capital Requirement Directive IV (CRD IV) and Capital Requirement Regulation (CRR) in European Union, and not accounting standards, see Note 45 Credit risk disclosures for details.

Minimum capital requirements
Risk exposure amount (REA), previously referred to as risk-weighted assets or RWA, is calculated in accordance with the adjusted Norwegian rules for calculating capital requirements. Nordea Bank Norge had 85% of the exposure covered by internal rating based (IRB) approaches by the end of 2014. During the first quarter of 2014 Nordea implemented the advanced IRB approach for the corporate exposures in the Nordic region.

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

Minimum capital requirement and REA

NOKm	31 Dec 2014 Minimum Capital requirement	31 Dec 2014 REA	31 Dec 2013 REA
Credit risk	**14,373**	**179,658**	**202,128**
– of which counterparty credit risk	251	3,141	1,156
IRB	12,884	161,051	185,342
– of which corporate	9,849	123,108	156,051
– of which advanced	9,309	116,355	0
– of which foundation	540	6,753	156,051
– of which institutions	333	4,168	3,851
– of which retail	2,498	31,227	23,276
– of which secured by immovable property collateral	1,816	22,699	15,570
– of which other retail	682	8,528	7,706
– of which other	204	2,548	2,164
Standardised	1,489	18,607	16,786
– of which central governments or central banks	0	0	1
– of which regional governments or local authorities	15	190	172
– of which public sector entities	0	0	0
– of which multilateral development banks	0	0	0
– of which international organisations	0	0	0
– of which institutions	755	9,441	7,491
– of which corporate	4	54	822
– of which retail	484	6,048	7,159
– of which secured by mortgages on immovable property	0	0	0
– of which in default	5	63	249
– of which associated with particularly high risk	0	0	0
– of which covered bonds	0	0	0
– of which institutions and corporates with a short-term credit assessment	0	0	0
– of which collective investments undertakings (CIU)	0	0	0
– of which equity	9	106	0
– of which other items	217	2,705	894
Credit Value Adjustment Risk	**35**	**436**	
Market risk	**276**	**3,447**	**2,237**
– of which trading book, Internal Approach	218	2,719	1,180
– of which trading book, Standardised Approach	58	728	1,057
Operational risk	**1,744**	**21,806**	**20,957**
Standardised	1,744	21,806	20,957
Sub total	**16,428**	**205,347**	**225,322**
Adjustment for Basel I floor			
Additional capital requirement according to Basel I floor[1]	11,658	145,728	96,043
Total	**28,086**	**351,075**	**321,366**

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

Internal capital requirement

Nordea bases its internal capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) on risks defined by CRD IV/CRR and risks internally defined under Pillar II. The following major risk types are included in the internal capital requirement: credit risk, market risk, operational risk and business risk. Additionally, interest rate risk in the banking book, risk in Nordea's sponsored defined benefit pension plans, real estate risk and concentration risk are explicitly accounted for.

In addition to calculating risk capital for its various risk types, Nordea conducts a comprehensive capital adequacy stress test to analyse the effects of a series of global and local shock scenarios. The results of the stress tests are considered, along with potential management interventions, in Nordea's internal capital requirements as buffers for economic stress. The internal capital requirement is a key component of Nordea's capital ratio target setting.

The ICAAP also describes Nordea's management, mitigation and measurement of material risks and assesses the adequacy of internal capital by defining internal capital requirements reflecting the risk of the institution. However, regulatory buffers are introduced with the implementation of new CRD IV/CRR rules. This might lead to higher capitalisation requirements than what is determined in the internal capital requirement.

Economic Capital (EC)

Nordea's Economic Capital model is based on the same risk components as the ICAAP but also includes risks in the insurance businesses. EC is calculated for the conglomerate whereas the ICAAP, which is governed by the CRD, covers only the financial group. EC has been aligned to CET1 capitalisation requirements according to CRD IV. Additional capital items were introduced in the EC during 2014 to reduce the gap between legal equity and allocated capital.

Economic Capital for Nordea Bank Norge was at the end of 2014 EUR 3.1bn (EUR 3.7bn as of 2013, restated).

Economic Profit (EP)

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

Expected loss (EL)

EL reflects the normalised loss level of the individual credit exposure over a business cycle as well as various portfolios. During 2014 there were no changes to the EL framework apart from the regular update of parameters based on the latest validations. EL is a more stable measure than actual losses, but it will vary with the business cycle as a consequence of shifts in the repayment capacity (PD dimension) and collateral coverage (LGD dimension) distributions.

Own funds

Own funds is the sum of tier 1 and tier 2 capital. Tier 1 capital consists of both common equity tier 1 (CET1) and additional tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbance characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend. Due to the implementation of CRR, deductions that according to previous rules were made 50 % from tier 1 and 50 % from tier 2, are now fully deducted from common equity tier 1. Furthermore, CRR also changed the treatment of investments in financial sector entities and deferred tax assets that rely on future profitability and arise from temporary differences, which are now risk weighted instead of deducted from tier 1 and tier 2.

Additional tier 1 and tier 2 capital consist mostly of undated and dated subordinated loans, respectively. Holdings of other financial sector entities' subordinated loans are deducted from the corresponding tier.

Summary of items included in own funds in Nordea Bank Norge group[3]

NOKm	31 Dec 2014[2]	31 Dec 2013[2]
Calculation of own funds		
Equity in the consolidated situation	45,120	40,775
Proposed/actual dividend		
Common Equity Tier 1 capital before regulatory adjustments	45,120	40,775
Deferred tax assets		
Intangible assets	-149	-376
IRB provisions shortfall (-)[1]	-63	-282
Deduction for investments in credit institutions (50%)	0	0
Pension assets in excess of related liabilities	0	0
Other items, net	-356	-97
Total regulatory adjustments to Common Equity Tier 1 capital	-568	-755
Common Equity Tier 1 capital (net after deduction)	**44,552**	**40,020**
Additional Tier 1 capital before regulatory adjustments	5,187	4,959
Total regulatory adjustments to Additional Tier 1 capital		
Additional Tier 1 capital	5,187	4,959
Tier 1 capital (net after deduction)	**49,739**	**44,978**
Tier 2 capital before regulatory adjustments	4,096	3,376
IRB provisions excess (+)/shortfall (-)[1]	0	-282
Deduction for investments in credit institutions (50%)	0	0
Deductions for investments in insurance companies	0	0
Pension assets in excess of related liabilities	0	0
Other items, net	77	0
Total regulatory adjustments to Tier 2 capital	77	-282
Tier 2 capital	4,173	3,093
Own funds (net after deduction)	**53,912**	**48,071**

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

[2] Including profit

[3] Terminology in table may differ from table Transitional Own Funds

Key capital adequacy ratios in Nordea Bank Norge group

	2014	2013
Excl. Basel 1 floor		
CET1 capital ratio (%)	21.7%	17.8%
Tier 1 capital ratio (%)	24.2%	20.0%
Total capital ratio (%)	26.3%	21.3%
Capital adequacy quotient (own funds/capital requirement)	3.3	2.7
Incl. Basel 1 floor		
CET1 capital ratio (%)	12.7%	12.5%
Tier 1 capital ratio (%)	14.2%	14.0%
Total capital ratio (%)	15.4%	15.0%
Capital adequacy quotient (own funds/capital requirement)	1.9	1.9

Further information

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

New regulations

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

In Norway, the CRD IV/CRR is not yet incorporated in the EEA agreement. New and national regulations that resemble the CRD IV/CRR rules have been continuously introduced since 1 July 2013, however, several detailed rules remains to be implemented, of which the capital requirement to the SME segment is one. Further national adjustments and new rules are expected during 2015 in connection to liquidity requirements, leverage ratio and Pillar II requirements.

Norwegian financial institutions must have a CET1 capital ratio of at least 4.5%, a tier 1 ratio of at least 6% and a total capital ratio of 8%. In addition, a capital conservation buffer of at least 2.5% CET1 and a systemic risk buffer of 2% CET1 apply. The systemic risk buffer was increased from 2% to 3% from 1 July 2014. The quarterly assessed level of the countercyclical capital buffer, currently set to 1%, applies to all institutions from 30 June 2015. Furthermore, the Ministry of Finance decided, in June 2014, that Nordea Bank Norge, together with two other banks, are considered as systemically important institutions in Norway and must therefore hold an additional buffer of 1% CET1 from 1 July 2015 and 2% CET1 from 1 July 2016. The buffer requirement is the same for the three institutions and applies on all levels. In October 2013, stricter risk weights was adopted for residential mortgages for Norwegian regulated IRB banks, through an increased LGD floor from 10% to 20%. In July 2014, the Financial Supervisory Authority issued a new guideline regarding supervisory practices introducing additional national adjustments to PD and LGD to the IRB models to mortgages in Norway, with effect from first quarter 2015.

Updates on Basel III and the CRD IV/CRR
On 22 December 2014, the Basel Committee on Banking Supervision (BCBS) published a consultation on the design of a permanent floor, replacing the current Basel I (transitional) floor. The proposal is that the floor shall be based on the revised standardised approaches for credit-, market- and operational risks that is currently, or has recently been, on consultation. The intention from the BCBS is to finalise the work by end-2015.
The CRR introduced a non-risk based measure, the leverage ratio, in order to limit an excessive buildup of leverage on credit institutions' balance sheets. The impact of the ratio is being monitored by the supervisory authorities with an aim to migrate to a binding measure in 2018. The leverage ratio will be calculated as the tier 1 capital divided by the exposure (on-balance and off-balance sheet exposures, with adjustments for certain items such as derivatives and securities financing transactions). On 17 January 2015, a revised version of the calculation of the leverage ratio was published in the Official Journal, entering into force the day after.

The CRR also introduces two new quantitative liquidity standards; liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR requires that a bank hold liquidity buffers which are adequate to face any possible imbalance between liquidity inflows and outflows under gravely stressed conditions over a period of 30 days. The EU Commission has published a delegated act on LCR specifying details for calculations of inflows and outflows. The detailed LCR rules will enter into force on 1 October 2015 with phasein of 60% in 2015, 70% in 2016, 80% in 2017 and 100% in 2018. NSFR requires that a bank shall ensure that long term obligations are adequately met with a diversity of stable funding instruments under both normal and stressed conditions. BCBS published a final recommendation on NSFR in October 2014 with the intention to introduce NSFR as a minimum standard in 2018. Within the EU, the EU Commission is expected to present a proposal by late 2016, if it is deemed appropriate.

Bank Recovery and Resolution Directive
The Banking Recovery and Resolution Directive (BRRD) was published in the Official Journal in June 2014 together with the Directive on Deposit Guarantee Scheme. The BRRD outlines the tools and powers available to the relevant authorities in the EU, which are aimed at both preventing bank defaults as well as handling banks in crises, while maintaining financial stability. The DGS strengthens the protection of citizens' deposits in case of bank failures. The BRRD require banks to draw up recovery plans to describe the measures they would take in order to remain viable if their financial situation is considerably weakened. The BRRD also sets the minimum requirement for eligible liabilities and own funds (MREL) for all EU banks. In November 2014, the EBA published a technical standard describing the calculation of the MREL requirement. The final version of the EBA technical standard will be applied for all EU banks at the latest in 2016. In November 2014, the Financial Stability Board (FSB) published a consultation on the total loss absorbing capacity (TLAC). The TLAC is intended to ensure adequate availability of lossabsorbing capacity for global systemic banks in resolution, similar to the MREL. The TLAC requirement will not be applied before 2019.

Bank structural reform
In February 2012, the EU Commission established a highlevel expert group (HLEG) with the task to assess whether additional reforms on the structure of individual banks should be considered. The HLEG answer to the task was presented in a report in October 2012 and suggested mandatory separation of proprietary trading and other high-risk trading activities from the normal banking activities. The main purpose would be to separate certain

particularly risky parts of financial activities from deposit taking activities within a banking group. The underlying objective is to make deposit taking banks safer and less connected to trading activities. Risky financial activities are defined as proprietary trading and all securities or derivatives incurred in the process of market-making as well as exposures towards hedge funds, private equity investments and structured investment vehicles.

A proposal from the European Commission was released in January 2014. The Commission proposal is currently being discussed both in the European Parliament and in the Council. Time for finalisation of the proposal and implementation is still unclear.

Accounting
Nordea's accounting policies, which follow IFRS, are under change. Nordea's assessment is that the most important changes are related to Financial Instruments (IFRS 9), although other changes might also have an impact on Nordea. IFRS 9 will become mandatory from 2018 if endorsed in the EU.

Internal control and risk management regarding financial reporting

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

Control Environment
The control environment constitutes the basis for Nordea's internal control and contains the culture and values established by the Nordea Board of Directors and Executive Management. A clear and transparent organisational structure is important for the control environment. Nordea's business structure aims to support the overall strategy, with strong business momentum and increased requirements on capital and liquidity. The business and the organization are 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 and Group Functions, the second line being the centralised risk group functions, which define a common set of standards, and the third line being the internal audit function. The second line of defence function, Accounting Key Controls (AKC), implements a Nordea Group-wide system of key controls to ensure that controls essential to financial reporting are continuously identified, monitored, and assessed.

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

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

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 with 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 & Reporting provide sessions for accountants and controllers to inform about existing and updated rules and regulations affecting Nordea. Matters that impact the fulfilment of financial reporting objectives are communicated with external parties, with Nordea actively

participating in relevant national forums, including forums established by the Financial Supervisory Authorities, Central Banks, and associations for financial institutions.

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

According to Norwegian law Nordea is required to have an external auditor. At the Annual General Meeting 2014 KPMG was re-elected as auditor for the time period up to end of the Annual General Meeting 2015. State Authorised Public Accountant Lars Inge Pettersen is the auditor-in-charge for Nordea Bank Norge ASA.

Articles of association regulating the Board of Directors
The Norwegian Accounting Act §3.3b requires that the articles regulating the composition and nomination of the Board of Directors to be disclosed.

According to the NBN ASA articles of association, the Board of Directors comprises 5-8 directors who are elected by the Supervisory Board. At least one fourth of the Board directors must be external– not employed or holding any honorary functions in the bank. One of the elected directors must be an employee of the bank. For the employee director, two -2- personal deputies are to be elected with the right to attend and speak at board meetings, provided the first deputy only attends when the director is absent and the second deputy only attends when the director and the first deputy are absent.

The chairperson and deputy chairperson of the Board are to be elected by separate ballots. The elected directors serve terms of 2 years. Each year the elected directors with the longest term of service must retire. Deputy Directors are elected for terms of 2 years. If an elected director retires before the expiry of the term and the number of elected directors thereby becomes fewer than 5, a new director must be elected for the remaining period at the earliest opportunity.

The election of directors is to be prepared by an Election Committee comprising the chairperson of the Supervisory Board and 2 members elected by the Supervisory Board for a period of 2 years. The Election Committee must have members representing both election groups of the Supervisory Board, see § 11 (3- 4) of the Commercial Banks Act. The chairperson of the Supervisory Board is the chairperson of the committee. Only the employee representative on the Election Committee is to submit a recommendation regarding the employee board director and his/her personal deputies.

The Supervisory Board is composed of 15 members, elected by the Annual 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 2014.

Human Resources

Our people make it happen
Working at Nordea means working at a relationship bank in which everyone is responsible for supporting great customer experiences. This is why attracting, developing and maintaining highly motivated people are among our main priorities.

Our People Strategy emphasises that for Nordea to reach its goals our employees need to reach theirs. This means that Nordea has to provide opportunities for our people to grow and live well-balanced lives. Teamwork is an integral part of working at Nordea and a key to our success.

We focus on health and aim to identify and strengthen the factors that enhance a healthy working environment for our employees. At Nordea, we recognise that people have different needs in different stages of their lives, and it is important to strike a balance between work and leisure.

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

Great leaders build the right team
Our values are incorporated into all our people processes, our training and everyday leadership, and are the foundation for our leadership competencies. Nordea has established structured leadership-programmes through the Leadership Pipeline that help develop the leadership potential of all employees as well as enhance the leadership capabilities of high-level managers.

Continuous feedback to support successful performance
Regular feedback is essential to ongoing development. We create a culture of responsiveness through our

Employee Satisfaction Index (ESI) and our Performance & Development Dialogue (PDD) process. The ESI survey shows what our employees think about our employment practices, governance standards and values. In 2014, the ESI response rate was 92%, indicating a strong commitment to operational improvement. NBN scored 70 out of 100 points on Satisfaction and Motivation for 2014. We follow up on the feedback from the ESI both at local and group levels. In the PDDs, employees and leaders discuss performance and the potential for competence and career development.

Competence development is crucial for our business
Nordea provides group-wide leadership and employee development. Development is a joint responsibility of the manager and the employee. The development process is supported by feedback, coaching and mentoring, as well as formal training programmes. However, most development is realised in day-to-day work, where competencies are put to use. The Talent Management process ensures that we have strong leaders, competent specialists and high-quality successors.

A company with many possibilities
Mobility is key for competence development. We advertise our vacancies internally and strive to find candidates among our colleagues as well as running internal career days on a country-wise basis. Nordea's Graduate Programme plays an important role in bringing new talents to the bank. The programme is in high demand and serves as a sign of our ability to attract some of the best young talents. The current graduate programme has been running for 14 years, with more than 75 participants in NBN so far. Ten candidates started in 2014.

Equal opportunities
Gender diversity is a challenge in many industries, as well as the society as a whole. Close to 47 % of the full-time employees at NBN are women. The share of females with personnel responsibility is 38% It is a priority of NBN to increase the number of female employees in managerial and especially executive positions. In 2013, an analysis was launched to identify the barriers preventing the increase of women in leading positions. A plan was established to ensure that more female talents are motivated and given the possibility of continuing along the leadership career track.

In terms of full time salary, average salary for women and men was approximately NOK 567, 000 and NOK 675,000 respectively, and reflects a higher number of men in key leadership positions in NBN.

Equal opportunities issues are an integrated part of the development of the organisation and employees. The Nordea Sustainability Policy maintains that we do not discriminate based on gender, ethnic background, religion or any other discriminatory reason. The equal opportunities issues are included in the various personnel policies, including career planning and recruitment to higher-level management positions.

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

Number of employees
The number of employees in NBN was 2,955 at the end of 2014. This represents 2,703 FTEs. NBN recruited a total of 121 people in 2014, 47 of whom were female and 74 of whom were male. The average age of the new employees was 32 in 2014.

In 2014, the Nordea Board of Directors decided on a cost-reduction program that will also lead to a reduction in the workforce at NBN. There have been prepared voluntary support packages for employees, and 205 agreements of voluntary resignation have been confirmed for 2014 and 2015.

Sick leave
Sick leave amounted to 28,888 days in 2014, equivalent to 4.46% (4.21%), adjusted for holidays. The relatively low sick leave percentage must be considered in connection with the systematic reviews of the physical and psychosocial working environment performed by HR Health & Work Environment, particularly in those areas where sick leave is most frequent. Through the collective personnel insurance scheme, all employees in NBN are guaranteed faster access to treatment. Furthermore, the employees on sick leave are followed-up closely in accordance with the agreement on Inclusive Work Life (IA). NBN has in 2014 renewed its agreement on Inclusive Work Life (IA) to last until 2018.

Six personnel injuries to human beings (work related) have been reported due to accidents or other incidents in NBN in 2014. NBN was subject to two robberies in 2014. Following the robberies, those employees affected by the incidents were followed up by the internal company health services according to standard routine. There have also been made changes to operational procedure in order to reduce the risk of future robberies, and NBN now only has one entity with manual handling of cash.

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

Remuneration

Nordea has a clear remuneration policy, instructions and processes, securing sound remuneration structures throughout the organisation. The Board of Directors decides on the Nordea Remuneration Policy, based on an analysis of the possible risks involved, and ensures that it is applied and followed up as proposed by the Board Remuneration Committee (BRC). Nordea has a total remuneration approach to compensation that recognises the importance of well-balanced but differentiated remuneration structures based on business and market needs, and of compensation being consistent with and promoting sound and effective risk management, and not encouraging excessive risk-taking or counteracting Nordea's long-term interests.

The remuneration components are evaluated annually to ensure compliance with both international and local remuneration guidelines and requirements. In addition, risk analyses and mitigation are performed to address risks related to the governance and structure of the remuneration schemes, target-setting and measurement of results, as well as fraud and reputation. The main focus of the analysis is the variable components that potentially lead to total compensation that could be considered high. At least annually, the BRC follows up on the application of the Nordea Remuneration Policy and supplementary instructions with an independent review by Group Internal Audit.

For further information on remuneration see Note 8 Staff costs and the Board of Directors report in Nordea Bank AB (publ.) Annual Report.

Legal proceedings

Within the framework of normal business operations, the NBN faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes are considered likely to have any significant adverse effect on 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 for NBN.

Corporate Social Responsibility (CSR) and Environmental concerns

In 2014, Nordea formed a more structured and measurable CSR programme. We centred our materiality discussions on CSR focus areas, with a special attention on the non-financial impact a bank has on society. The outcome of these discussions can be found in Nordea's CSR Report available on www.nordea.com/csr.

Our commitments and policies

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

Our Operational Risk and Compliance Awareness Programme assures that our employees are fully aware of our policies and commitments. The programme includes two e-learning modules per year, focusing on operational and compliance risks and related responsibilities in our daily work. Furthermore, a Compliance Culture Programme was initiated in 2014, targeting all employees in Retail Banking. We also have a group-wide whistleblowing system in place, whereby employees can report concerns anonymously. Our Anti-Money Laundering (AML) unit gives hands-on support specifically concerning AML-related matters. We have a strong network of compliance officers to support customer-facing employees.

Our credit framework builds on the Nordea Sustainability Policy. Our Environmental Risk Assessment Tool (ERAT) considers environmentally related risks in the corporate lending process and produces an environmental risk profile, including climate. Nordea has also developed the Social and Political Risk Assessment Tool (SPRAT). Credit decisions are based on customers acting in compliance with ERAT and SPRAT.

Nordea has adopted the Equator Principles (EP), a global, voluntary standard for commercial lenders. A finance institution that has adopted the EP should only grant loans to projects that are compliant to the principles. Full EP reporting is available on www.nordea.com.

Nordea has implemented Socially Responsible Investing (SRI) and signed UN's Principles for Responsible Investment (PRI). We consider the ESG (Environmental, Social, Governance) aspects of the companies in our investment funds to ensure that our customers' assets are invested in companies complying with international guidelines and responsible investment principles concerning human rights, working conditions, environmental issues and corporate ethics.

We demand high standards of all our suppliers based on our CSR Supplier Policy and CSR Supplier Guidelines. In 2014 we developed the supplier process to include a segmentation matrix and a questionnaire to help us further ensure implementation of our CSR standards. One of the focus areas for 2015 will be to request responses and ascertain risk profiles for all our suppliers.

Nordea has engaged in numerous activities to address the specific challenges in local communities. NBN has partnered with Young Entrepreneurs, an organisation dedicated to developing the creativity, entrepreneurship and self-esteem of children and youths through school competitions.

Protecting human rights

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

Our sourcing requirements are reflected in the Nordea CSR Supplier Guidelines and our standard agreements with suppliers. One legal requirement is that our suppliers support and respect protecting internationally proclaimed human rights, and that they are not complicit in human rights abuses. Human rights are also covered in our supplier self-assessment questionnaire.

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

Environmental Impact

Group Executive Management has set long term environmental targets to reduce our emissions, with a particular focus on energy and air travel, our two largest emitters, and a secondary focus on paper, waste, green IT, facility management, procurement and communication. Each quarter, we monitor and report progress on our environmental indicators, and we report on emissions annually.

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 business. NBN's strong focus on general reduction of costs supports a reduced use of resources and energy. Indirect influence on the environment takes place via business activities.

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

Outlook for 2015

For 2015 we are prepared for another year with low growth and low interest rates, as well as continued changes in customer behaviour. We will deliver on our cost and capital efficiency plans to secure our strong financial foundation. We will continue to develop our services to meet the changing needs of our customers and invest in our IT platform to secure our long-term ability to provide even more personalised and convenient solutions for our customers.

Nordea Bank Norge ASA
Oslo, 5 February 2015

Ari Kaperi
Chairman

Torsten Hagen Jørgensen
Deputy chairman

Mary H. Moe

Karin S. Thorburn

Hans Chr. Riise
Employee representative

Gunn Wærsted
Chief Executive Officer

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Nordea Bank Norge

Income statements

Income statements

NOKm	Note	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Operating income					
Interest income		19,743	19,375	15,346	15,115
Interest expense		-9,935	-9,984	-8,257	-8,377
Net interest income	3	**9,808**	**9,391**	**7,089**	**6,738**
Fee and commission income		3,501	3,223	3,330	3,041
Fee and commission expense		-833	-783	-823	-772
Net fee and commission income	4	**2,668**	**2,440**	**2,507**	**2,269**
Net result from items at fair value	5	620	512	635	482
Profit/-loss from associated undertakings accounted for under the equity method	20	-58	139	0	0
Dividends and group contribution	6	0	0	675	14
Other operating income	7	135	203	213	270
Total operating income		**13,173**	**12,685**	**11,119**	**9,773**
Operating expenses					
General administrative expenses:					
Staff costs	8	-3,188	-2,674	-3,027	-2,532
Other expenses	9	-1,948	-1,900	-1,855	-1,801
Depreciation, amortisation and impairment charges of tangible and intangible assets	10,21,22	-362	-151	-329	-146
Total operating expenses		**-5,498**	**-4,725**	**-5,211**	**-4,479**
Profit before loan losses		**7,675**	**7,960**	**5,908**	**5,294**
Net loan losses	11	-821	-1,401	-760	-1,340
Operating profit		**6,854**	**6,559**	**5,148**	**3,954**
Income tax expense	12	-1,891	-1,858	-1,386	-1,180
Net profit for the year		**4,963**	**4,701**	**3,762**	**2,774**
Attributable to:					
Shareholder of Nordea Bank Norge ASA		4,963	4,701	3,762	2,774
Total		**4,963**	**4,701**	**3,762**	**2,774**
Basic/diluted earnings per share, NOK		9.00	8.53	6.82	5.03

Statements of comprehensive income

	Group		Parent Company	
NOKm	2014	2013	2014	2013
Net profit for the year	**4,963**	**4,701**	**3,762**	**2,774**
Items that may be reclassified subsequently to the income statement				
Available-for-sale investments[1]:				
Valuation gains/losses during the year	134	18	134	18
Tax on valuation gains/losses during the year	-36	-5	-36	-5
Transferred to the income statement	-17	4	-17	4
Tax on transfers to the income statement	5	-1	5	-1
Cash flow hedges:				
Valuation gains/losses during the year	121	4	850	49
Tax on valuation gains/losses during the year	-33	-1	-230	-13
Transferred to the income statement	-4	0	-914	0
Tax on transfers to the income statement	1	0	247	0
Items that may not be reclassified subsequently to the income statement				
Defined benefit plans:				
Remeasurement of defined benefit plans	-1,094	172	-1,048	169
Tax on remeasurement of defined benefit plans	295	-36	282	-35
Other comprehensive income, net of tax	**-628**	**155**	**-727**	**186**
Total comprehensive income	**4,335**	**4,856**	**3,035**	**2,960**
Attributable to:				
Shareholders of Nordea Bank AB (publ.)	4,335	4,856	3,035	2,960
Total	**4,335**	**4,856**	**3,035**	**2,960**

[1] Valuation gains/losses related to hedged risks under fair value hedge accounting are accounted for directly in the income statement.

Nordea Bank Norge ASA
Oslo, 5 February 2015

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Chief Executive Officer

Nordea Bank Norge

Balance sheets

NOKm	Note	Group 31 Dec 2014	Group 31 Dec 2013	Parent company 31 Dec 2014	Parent company 31 Dec 2013
Assets					
Cash and balances with central banks		2,499	2,600	2,499	2,595
Loans to central banks and credit institutions	13	17,863	33,076	54,138	70,555
Loans to the public	13	499,922	462,772	362,445	326,194
Interest-bearing securities	14	91,574	82,907	102,734	104,067
Financial instruments pledged as collateral	15	1,392	1,024	1,392	1,024
Shares	16	443	572	440	572
Derivatives	17	11,951	5,190	12,314	5,592
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	626	436	509	348
Investments in group undertakings	19	0	0	5,814	5,042
Investments in associated undertakings	20	1,495	1,553	417	417
Intangible assets	21	149	375	85	318
Properties and equipment	22	922	361	543	361
Investment properties	24	65	203	1	10
Other assets	25	18,790	4,408	18,674	4,373
Prepaid expenses and accrued income	26	2,049	2,643	1,128	1,744
Total assets		**649,740**	**598,120**	**563,133**	**523,212**
Liabilities					
Deposits by credit institutions	27	239,053	243,146	239,137	243,143
Deposits and borrowings from the public	28	236,754	218,862	236,909	218,875
Debt securities in issue	29	84,664	70,977	4,682	3,147
Derivatives	17	1,732	1,508	6,465	4,027
Fair value changes of the hedged items in portfolio hedge of interest rate risk	18	1,816	747	105	-58
Current tax liabilities	12	1,214	601	694	0
Other liabilities	30	23,884	8,526	23,864	8,511
Accrued expenses and prepaid income	31	1,900	2,472	1,072	1,271
Deferred tax liabilities	12	1,576	962	979	555
Provisions	32	196	121	195	119
Retirement benefit obligations	33	2,360	1,129	2,286	1,098
Subordinated liabilities	34	9,471	8,294	9,471	8,294
Total liabilities		**604,620**	**557,345**	**525,859**	**488,982**
Equity					
Share capital		4,411	4,411	4,411	4,411
Share premium reserve		3,402	3,402	3,402	3,402
Other reserves		371	999	290	1,017
Retained earnings		36,936	31,963	29,171	25,400
Total equity		**45,120**	**40,775**	**37,274**	**34,230**
Total liabilities and equity		**649,740**	**598,120**	**563,133**	**523,212**
Assets pledged as security for own liabilities	35	171,007	161,229	67,679	68,777
Contingent liabilities	36	1,774	1,777	6,587	5,811
Commitments	37	120,159	113,076	112,241	123,635

Statements of changes in equity

Group

NOKm	Share capital[1]	Share premium reserve	Other reserves: Cash flow hedges	Other reserves: Available-for-sale investments	Other reserves: Defined benefit plans	Retained earnings	Total Equity
Balance at 1 Jan 2014	**4,411**	**3,402**	**3**	**92**	**904**	**31,963**	**40,775**
Net profit for the year						4,963	4,963
Items that may be reclassified subsequently to the income statement							
Available-for-sale investments:							
Valuation gains/losses during the year				134			134
Tax on valuation gains/losses during the year				-36			-36
Transferred to profit or loss on sale for the year				-17			-17
Tax on transfers to profit or loss on sale for the year				5			5
Cash flow hedges:							
Valuation gains/losses during the year			121				121
Tax on valuation gains/losses during the year			-33				-33
Transferred to profit or loss for the year			-4				-4
Tax on transfers to profit or loss for the year			1				1
Items that may not be reclassified subsequently to the income statement							
Defined benefit plans:							
Remeasurement of defined benefit plans					-1,094		-1,094
Tax on remeasurement of defined benefit plans					295		295
Other comprehensive income, net of tax	0	0	85	86	-799	0	-628
Total comprehensive income	0	0	85	86	-799	4,963	4,335
Share-based payments[2]						18	18
Other changes						-8	-8
Balance at 31 Dec 2014	**4,411**	**3,402**	**88**	**178**	**105**	**36,936**	**45,120**

NOKm	Share capital[1]	Share premium reserve	Other reserves: Cash flow hedges	Other reserves: Available-for-sale investments	Other reserves: Defined benefit plans	Retained earnings	Total
Balance at 1 Jan 2013	**4,411**	**3,402**	**0**	**76**	**768**	**27,252**	**35,909**
Net profit for the year						4,701	4,701
Items that may be reclassified subsequently to the income statement							
Available-for-sale investments:							
Valuation gains/losses during the year				18			18
Tax on valuation gains/losses during the year				-5			-5
Transferred to profit or loss on sale for the year				4			4
Tax on transfers to profit or loss on sale for the year				-1			-1
Cash flow hedges:							
Valuation gains/losses during the year			4				4
Tax on valuation gains/losses during the year			-1				-1
Items that may not be reclassified subsequently to the income statement							
Defined benefit plans:							
Remeasurement of defined benefit plans					172		172
Tax on remeasurement of defined benefit plans					-36		-36
Other comprehensive income, net of tax	0	0	3	16	136	0	155
Total comprehensive income	0	0	3	16	136	4,701	4,856
Share-based payments[2]						18	18
Other changes						-8	-8
Balance at 31 Dec 2013	**4,411**	**3,402**	**3**	**92**	**904**	**31,963**	**40,775**

[1] The share capital is NOK 4,410,868,608 (31 des 2013; 4,410,868,608) consisting of 551,358,576 shares at par value of NOK 8.00 (8.00 in 2013)

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

Statements of changes in equity cont.

Parent company

NOKm	Share capital[1]	Share premium reserve	Other reserves: Cash flow hedges	Other reserves: Available-for-sale investments	Other reserves: Defined benefit plans	Retained earnings	Total
Balance at 1 Jan 2014	**4,411**	**3,402**	**36**	**92**	**889**	**25,400**	**34,230**
Net profit for the year						3,762	3,762
Items that may be reclassified subsequently to the income statement							
Available-for-sale investments:							
Valuation gains/losses during the year				134			134
Tax on valuation gains/losses during the year				-36			-36
Transferred to profit or loss on sale for the year				-17			-17
Tax on transfers to profit or loss on sale for the year				5			5
Cash flow hedges:							
Valuation gains/losses during the year			850				850
Tax on valuation gains/losses during the year			-230				-230
Transferred to profit or loss for the year			-914				-914
Tax on transfers to profit or loss for the year			247				247
Items that may not be reclassified subsequently to the income statement							
Defined benefit plans:							
Remeasurement of defined benefit plans					-1,048		-1,048
Tax on remeasurement of defined benefit plans					282		282
Other comprehensive income, net of tax	0	0	-47	86	-766	0	-727
Total comprehensive income	0	0	-47	86	-766	3,762	3,035
Share-based payments[2]						17	17
Other changes						-8	-8
Balance at 31 Dec 2014	**4,411**	**3,402**	**-11**	**178**	**123**	**29,171**	**37,274**

NOKm	Share capital[1]	Share premium reserve	Other reserves: Cash flow hedges	Other reserves: Available-for-sale investments	Other reserves: Defined benefit plans	Retained earnings	Total
Balance at 1 Jan 2013	**4,411**	**3,402**	**0**	**76**	**755**	**22,619**	**31,263**
Net profit for the year						2,774	2,774
Items that may be reclassified subsequently to the income statement							
Available-for-sale investments:							
Valuation gains/losses during the year				18			18
Tax on valuation gains/losses during the year				-5			-5
Transferred to profit or loss on sale for the year				4			4
Tax on transfers to profit or loss on sale for the year				-1			-1
Cash flow hedges:							
Valuation gains/losses during the year			49				49
Tax on valuation gains/losses during the year			-13				-13
Items that may not be reclassified subsequently to the income statement							
Defined benefit plans:							
Remeasurement of defined benefit plans					169		169
Tax on remeasurement of defined benefit plans					-35		-35
Other comprehensive income, net of tax	0	0	36	16	134	0	186
Total comprehensive income	0	0	36	16	134	2,774	2,960
Share-based payments[2]						17	17
Other changes						-10	-10
Balance at 31 Dec 2013	**4,411**	**3,402**	**36**	**92**	**889**	**25,400**	**34,230**

[1] The share capital is NOK 4,410,868,608 (31 Dec 2012; 4 410 868 608) consisting of 551,358,576 shares at par value of NOK 8.00 (8.00 in 2013)

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

Cash flow statements

NOKm	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Operating activities				
Operating profit	6,854	6,559	5,148	3,954
Adjustments for items not included in cash flow	3,371	1,082	3,201	1,257
Income taxes paid	-431	-1,697	0	-1,357
Cash flow from operating activities before changes in operating assets and liabilities	**9,794**	**5,944**	**8,349**	**3,854**
Changes in operating assets				
Change in loans to central banks and credit institutions	20,858	-20,629	22,159	-30,879
Change in loans to the public	-38,011	-8,131	-37,044	-3,420
Change in interest-bearing securities	-8,942	5,827	1,058	5,877
Change in financial assets pledged as collateral	-368	894	-368	894
Change in shares	193	95	193	95
Change in derivatives, net	-5,838	-4,023	-4,632	-2,435
Change in investment property	138	-67	9	17
Change in other assets	-14,382	281	-14,299	283
Changes in operating liabilities				
Change in deposits by credit institutions	-4,094	14,006	-4,006	13,996
Change in deposits and borrowings from the public	17,893	-91	18,033	-96
Change in debt securities in issue	12,836	5,184	1,128	1,147
Change in other liabilities	15,357	-6,338	15,353	-6,449
Cash flow from operating activities	**5,434**	**-7,048**	**5,933**	**-17,116**
Investing activities				
Liquidation / investment of group undertakings	0	0	-772	-394
Acquisition of property and equipment	-679	-154	-270	-154
Sale of property and equipment	56	81	6	12
Acquisition of intangible assets	-23	-31	-10	-22
Net investments in debt securities, held to maturity	431	593	433	883
Cash flow from investing activities	**-215**	**489**	**-612**	**325**
Financing activities				
Other changes in equity	0	0	0	0
Issued subordinated liabilities, net	0	0	0	0
Amortised subordinated liabilities	0	0	0	0
Increase in par value and share premium	0	0	0	0
Dividend paid	0	0	0	0
Cash flow from financing activities	**0**	**0**	**0**	**0**
Cash flow for the year	**5,219**	**-6,559**	**5,320**	**-16,791**
Cash and cash equivalents at the beginning of year	**10,207**	**16,793**	**10,100**	**26,918**
Translation difference	-1	-27	-1	-27
Cash and cash equivalents at the end of year	**15,425**	**10,207**	**15,420**	**10,100**
Change	**5,219**	**-6,559**	**5,320**	**-16,791**

Comments on the cash flow statement

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

Cash flow statements cont.

Operating activities

Operating activities are the principal revenue-producing activities and cash flows are mainly derived from the operating profit for the year with adjustment for items not included in cash flow and income taxes paid. Adjustment for non-cash items includes:

	Group		Parent company	
NOKm	2014	2013	2014	2013
Depreciation	167	147	134	141
Impairments charges	195	37	195	37
Profit/-loss from the companies accounted for under the equity method	61	-139	0	0
Loan losses	862	1,463	794	1,394
Unrealised gains/losses	-529	-218	419	-276
Capital gains/losses (net)	-55	-75	-4	-6
Change in accruals and provisions	558	61	474	96
Other	2,113	-194	1,190	-129
Total	**3,371**	**1,082**	**3,201**	**1,257**

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	2014	2013	2014	2013
Interest payments received	20,454	19,759	16,027	15,499
Interest expenses paid	10,744	10,054	8,627	8,485

Investing activities

Investing activities include acquisitions and disposals of non-current assets, like property and equipment, intangible and financial assets.

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	2014	2013	2014	2013
Cash and balances with central banks	2,499	2,600	2,499	2,595
Loans to credit institutions, payable on demand	12,926	7,607	12,921	7,505
	15,425	**10,207**	**15,420**	**10,100**

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[1]

NOKm	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	YTD 2014	YTD 2013
Net interest income	2,471	2,468	2,426	2,443	2,478	2,396	2,317	2,200	9,808	9,391
Net fee and commission income	770	683	602	613	653	596	641	550	2,668	2,440
Net result from items at fair value	200	135	156	129	63	91	187	171	620	512
Profit/–loss from the companies accounted for under the equity method	– 19	9	–30	–18	105	34	0	0	– 58	139
Other income	29	31	42	33	59	54	30	60	135	203
Total operating income	**3,451**	**3,326**	**3,196**	**3,200**	**3,358**	**3,171**	**3,175**	**2,981**	**13,173**	**12,685**
General administrative expenses										
Staff costs	– 735	– 716	– 971	– 766	– 558	– 704	– 701	– 711	–3,188	–2,674
Other expenses	– 566	– 420	– 504	– 458	– 524	– 473	– 457	– 446	–1,948	–1,900
Depreciation, amortisation and impairment charges of tangible and intangible assets	– 30	– 243	– 52	– 37	– 38	– 37	– 37	– 39	– 362	– 151
Total operating expenses	**–1,331**	**–1,379**	**–1,527**	**–1,261**	**–1,120**	**–1,214**	**–1,195**	**–1,196**	**–5,498**	**–4,725**
Profit before loan losses	**2,120**	**1,947**	**1,669**	**1,939**	**2,238**	**1,957**	**1,980**	**1,785**	**7,675**	**7,960**
Net loan losses	– 54	– 124	– 265	– 378	– 323	– 439	– 268	– 371	– 821	–1,401
Operating profit	**2,066**	**1,823**	**1,404**	**1,561**	**1,915**	**1,518**	**1,712**	**1,414**	**6,854**	**6,559**
Income tax expense	– 604	– 471	– 377	– 439	– 555	– 428	– 483	– 392	–1,891	–1,858
Net profit for the period	**1,462**	**1,352**	**1,027**	**1,122**	**1,360**	**1,090**	**1,229**	**1,022**	**4,963**	**4,701**

[1] The quarterly figures are unaudited

Nordea Bank Norge Group - Five year overview

Income statements

NOKm	2014	2013	2012	2011	2010
Net interest income	9,808	9,391	8,896	8,349	8,278
Net fee and commission income	2,668	2,440	2,412	2,265	2,173
Net result from items at fair value	620	512	456	343	888
Profit/-loss from companies accounted for under the equity method	-58	139	136	194	103
Other income	135	203	183	185	208
Total operating income	**13,173**	**12,685**	**12,083**	**11,336**	**11,650**
General administrative expenses:					
Staff costs[1]	-3,188	-2,674	-2,930	-3,209	-2,807
Other expenses	-1,948	-1,900	-1,856	-1,954	-2,115
Depreciation, amortisation and impairment charges of tangible and intangible assets	-362	-151	-203	-160	-154
Total operating expenses	**-5,498**	**-4,725**	**-4,989**	**-5,323**	**-5,076**
Profit before loan losses	**7,675**	**7,960**	**7,094**	**6,013**	**6,574**
Net loan losses	-821	-1,401	-958	-1,432	-725
Operating profit	**6,854**	**6,559**	**6,136**	**4,581**	**5,849**
Income tax expense[1]	-1,891	-1,858	-1,696	-1,234	-1,549
Net profit for the year	**4,963**	**4,701**	**4,440**	**3,347**	**4,300**

Balance sheets

NOKm	2014	2013	2012	2011	2010
Cash and balances with central banks	2,499	2,600	3,836	5,299	11,608
Loans to central banks and credit institutions	17,863	33,076	17,798	26,943	9,900
Loans to the public	499,922	462,772	455,990	464,403	439,213
Interest-bearing securities and pledged instruments[3]	92,966	83,931	83,057	75,591	22,440
Derivatives	11,951	5,190	1,466	5,803	324
Other assets[1]	24,539	10,551	11,532	11,274	13,798
Total assets	**649,740**	**598,120**	**573,679**	**589,313**	**497,283**
Deposits by credit institutions	239,053	243,146	228,997	239,470	196,870
Deposits and borrowings from the public	236,754	218,862	218,952	223,195	234,062
Debt securities in issue	84,664	70,977	65,793	51,471	11,367
Derivatives	1,732	1,508	2,075	2,005	3,707
Subordinated liabilities	9,471	8,294	7,879	9,394	9,542
Other liabilities[1, 3]	32,946	14,558	14,074	33,366	12,172
Equity[1]	45,120	40,775	35,909	30,412	29,563
Total liabilities and equity	**649,740**	**598,120**	**573,679**	**589,313**	**497,283**

Ratios and key figures

	2014	2013	2012	2011	2010
Earnings per share (EPS),[1] NOK	9,00	8,53	8,05	6,07	7,80
Equity per share[1], NOK	81,84	73,95	65,13	55,16	53,62
Shares outstanding[2], million	551	551	551	551	551
Return on equity,[1] %	11.6	12.3	14.5	11.6	15.6
Return on assets, %	0.8	0.8	0.8	0.6	0.9
Cost/income ratio,[1]%	42	37	41	47	44
Loan loss ratio, basis points	16	30	19	32	17
Core tier 1 capital ratio, excluding transition rules[2,] %	21.7	17.8	14.6	10.1	9.4
Tier 1 capital ratio, excluding transition rules2, %	24.2	20.0	16.7	12.0	10.0
Total capital ratio, excluding transition rules[2], %	26.3	21.3	17.6	13.4	12.8
Core tier 1 capital ratio[2], %	12.7	12.5	10.7	8.0	7.9
Tier 1 capital ratio[2], %	14.2	14.0	12.3	9.5	8.5
Total capital ratio[2], %	15.4	15.0	13.0	10.6	10.8
Core tier 1 capital[2], NOKm	44,552	40,019	33,774	26,302	24,529
Tier 1 capital[2], NOKm	49,739	44,978	38,589	31,239	26,223
Risk-weighted assets, incl transition rules[2], NOKbn	351	321	314	329	310
Number of employees (full-time equivalents)[2]	2,703	2,862	2,889	3,132	3,229

[1] Figures for 2012 are restated due to the implementation of the amended IAS 19 Employee benefits in 2013.

[2] End of period.

[3] Figures for 2012 are restated due to forward starting bonds in 2013, figures for 2010-2011 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) as endorsed by the EU Commission. In addition, certain complementary rules in the Norwegian Accounting Act with supported regulations have also been applied.

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

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

On 5 February 2015 the Board of Directors approved the financial statements, subject to final approval at the Annual General Meeting on 4 March 2015.

2. Changed accounting policies and presentation

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2013 Annual Report, except for the change; the classification of dividends receivables on securities lending . This change is further described below. The new accounting requirements implemented during 2014 and their effects on Nordea's financial statements are described below.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities, and IAS 28 Investments in Associates and Joint Ventures

The new standards IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosures of Interests in Other Entities as well as amendments to IAS 28 Investments in Associates and Joint Ventures were implemented 1 January 2014 but has not had any significant impact on the financial statements of Nordea.

IFRS 10 clarifies which entities should be included in the consolidated accounts and how to perform the consolidation. IFRS 10 did not change the scope of consolidation for Nordea in 2014. IFRS 11 describes the accounting for investments in entities in which two or more investors have joint control, typically a 50/50 holding. Nordea has currently no such interests and IFRS 11 has not had any impact on the financial statements in 2014. IFRS 12 has added disclosures, mainly regarding unconsolidated structured entities. The standard also includes guidance on disclosures for subsidiaries and associates, but these disclosure requirements are similar to the previous disclosure requirements in IAS 27 and IAS 28.

The accounting requirements in IAS 28 are unchanged apart from that the disclosure requirements have been moved to IFRS 12.

Classification of dividend receivables on securities lending

The classification of dividend receivables on securities lending within Net fee and commission income has been changed to align with Nordea Group policy. Dividend receivables have been reclassified from Brokerage, securities issues and corporate finance to Other commission expense. The comparable figures have been restated accordingly and are disclosed in the table below.

Income statements	Group		Parent	
	New	Old	New	Old
NOKm	policy	policy	policy	policy
Fee and commission income	3,223	3,402	3,041	3,220
Fee and commission expense	–783	–962	–772	–951
Net fee and commission income	2,440	2,440	2,269	2,269

3. Changes in IFRSs not yet applied by Nordea

IFRS 9 Financial Instruments

IASB has during 2014 completed the new standard for financial instruments, IFRS 9 Financial instruments. IFRS 9 covers classification and measurement, impairment and general hedging and replaces the current requirements for these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. Earlier application is permitted. The EU commission has not yet endorsed IFRS 9 and there is currently no official timetable for this process. Nordea does not currently intend to early adopt the standard.

The changes in classifications are not expected to have a significant impact on Nordea's income statement or balance sheet as the mixed measurement model will be maintained. Significant reclassifications between fair value and amortised cost or impact on the capital adequacy and large exposures are not expected in the period of initial application, but this is naturally dependent on the financial instruments on Nordea's balance sheet at transition.
The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. In general, it is expected that the new requirements will increase loan loss provisions, decrease equity and have a negative impact on capital adequacy, but no impact on large exposures, in the period of initial

application. Nordea has not yet finalised the impact assessment.

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

IFRS 15 Revenue from Contracts with Customers
The IASB has published the new standard, IFRS 15 Revenue from Contracts with Customers. The new standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition standards and interpretations within IFRS, such as IAS 18 Revenue. The new standard is effective for annual periods beginning on or after 1 January 2017, with earlier application permitted. The EU-commission is expected to endorse the standard during the second quarter 2015. Nordea does not currently intend to early adopt the standard. The standard does not apply to financial instruments, insurance contracts or lease contracts. Nordea has not finalised the investigation of the impact on the financial statements but the current assessment is that the new standard will not have any significant impact on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application.

Amendments to IFRS 11 Accounting for Acquisition of Interest in Joint Operations
The IASB has issued amendments to IFRS 11 Joint Arrangements, which add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The EU commission is expected to endorse the amendment during the first quarter 2015. Nordea does not currently intend to early adopt the amendments. As Nordea does not have any joint venture the assessment is that the amendments will not have any effects on Nordea's financial statements, capital adequacy or large exposures in the period of initial application.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The IASB has amended the requirements in IFRS 10 and IAS 28 regarding sales and contribution of assets between an investor and its associate or joint venture due to inconsistent treatment of gains and losses of such transactions in those standards. The amendments should be applied prospectively to transactions that occur in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The EU commission is expected to endorse the amendments during the fourth quarter 2015. Nordea does not currently intend to early adopt the amendments. The new requirements are not expected to have any effect on Nordea's financial statements, capital adequacy, or large exposures in the period of initial application as the new requirements are in line with Nordea's current accounting policies.

IFRIC 21 Levies
The IASB has published IFRIC 21 Levies. The effective date is as from 1 January 2014. The EU commission endorsed this interpretation during 2014. In contrast to IFRS, the EU commission requires the standard to be applied for annual periods beginning on or after 17 June 2014. Nordea will apply the interpretation as from 1 January 2015.

IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IFRIC 21 clarifies that if a levy is triggered by operating as a bank at the end of the reporting period, the liability for the levy is not recognised prior to that date. Nordea's assessment is that the new interpretation will not have any significant impact on Nordea's financial statements, capital adequacy or large exposures in the period of initial application.

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

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs, 2010-2012 Cycle
- Annual Improvements to IFRSs, 2011-2013 Cycle
- Annual Improvements to IFRSs, 2012-2014 Cycle

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

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

Critical judgements and estimates are in particular associated with:

- the fair value measurement of certain financial instruments
- the impairment testing of loans to the public/credit institutions
- the actuarial calculations of pension liabilities and plan assets related to employees
- the classification of leases
- the valuation of deferred tax assets, and
- claims in civil lawsuits.

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

- the choice of valuation techniques
- the determination of when quoted prices fail to represent fair value (including the judgement of whether markets are active)

- the construction of fair value adjustments in order to incorporate relevant risk factors such as credit risk, model risk and liquidity risk, and

- the judgement of which market parameters are observable.

When determining fair value of financial instruments that lack quoted prices or recently observed market prices there is also a high degree of estimation uncertainty. That estimation uncertainty is mainly a result of the judgement management exercises when:

- selecting an appropriate discount rate for the instrument and
- determining expected timing of future cash flows from the instruments.

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

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

Impairment testing of loans to the public/credit institutions
Nordea's accounting policy for impairment testing of loans is described in section 13 Loans to the public/credit institutions.

Management is required to exercise critical judgements and estimates when calculating loan impairment allowances on both individually assessed and collectively assessed loans. For more information, see Note 13 Loans and impairment.

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

Actuarial calculations of pension liabilities and plan assets related to employees
Nordea's accounting policy for post-employment benefits is described in section 20 Employee benefits.

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

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

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

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

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

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

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

5. Principles of consolidation

Consolidated entities
The consolidated financial statements include the accounts of the parent company Nordea Bank Norge ASA, and those entities that the parent company controls. Control is generally achieved when the parent company owns, directly or indirectly through group undertakings, more than 50 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 acquisition method. Under the acquisition method, the acquisition is regarded as a transaction whereby the parent company indirectly acquires the group undertaking's assets and assumes its liabilities and contingent liabilities. The Group's acquisition cost is established in a purchase price allocation analysis. In such analysis, the cost of the business combination is established as the fair values of recognised identifiable assets, liabilities and contingent liabilities. The cost of the business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for the net assets acquired. Costs directly attributable to the business combination are expensed.

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

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

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

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

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

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

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

Profits from companies accounted for under the equity method are reported post-taxes in the income statement. Consequently, the tax expense related to these profits is not included in the income tax expense for Nordea.

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

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

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

6. Recognition of operating income and impairment

Net interest income

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

Interest income and expenses from financial instruments are, with the exceptions described below, classified as Net interest income.

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

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

Net fee and commission income

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

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

Income from issued financial guarantees and expenses from bought financial guarantees are amortised over the duration of the instruments and classified as Fee and commission income and Fee and commission expense respectively.

Net result from items at fair value

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

Realised and unrealised gains and losses derive from:

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

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

Also the ineffective portion of cash flow hedges as well as recycled gains and losses on financial instruments classified into the category Available for sale are recognised in Net result from items at fair value.

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

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

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

Profit from companies accounted for under the equity method

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

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

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

Other operating income
Net gains from divestments of shares in group undertakings and associated undertakings 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 undertakings are classified as Impairment of securities held as financial non-current assets in the income statement. The policies covering impairment of financial assets classified into the categories Loans and receivables and Held to maturity are disclosed in section 12 Financial instruments and section 13 Loans to the public/credit institutions.

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

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

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

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

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

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

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

8. Translation of assets and liabilities denominated in foreign currencies

The functional currency of each entity is decided based upon the primary economic environment in which the entity operates. Foreign currency is defined as any currency other than the functional currency of the entity. Foreign currency transactions are recorded at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the balance sheet date.

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

9. Hedge accounting

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

Nordea uses hedge accounting in order to have a symmetrical accounting treatment of the changes in fair value of the hedged item and changes in fair value of the hedging instruments.

There are three forms of hedge accounting:
- fair value hedge accounting
- cash flow hedge accounting, and
- hedges of net investments in foreign operations.

Fair value hedge accounting

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

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

Hedged items

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

Hedging instruments

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

Cash flow hedge accounting

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

Gains or losses on hedging instruments recognised in the cash flow hedge reserve in equity through other comprehensive income are recycled and recognised in the income statement in the same period as the cash flow, normally the interest income or interest expense from the hedged asset or liability.

Hedged items

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

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

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

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

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

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

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

10. Determination of fair value of financial instruments

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

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

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

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

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

- Interest-bearing securities
- Shares (listed), and
- Derivatives (listed).

If quoted prices for a financial instrument fail to represent actual and regularly occurring market transactions or if quoted prices are not available, fair value is established by using an appropriate valuation technique. Valuation techniques can range from simple discounted cash flow analysis to complex option pricing models. Valuation models are designed to apply observable market prices and rates as input whenever possible, but can also make use of unobservable model parameters. The adequacy of the valuation model is assessed by measuring its capability to hit market prices. This is done by comparison of calculated prices to relevant benchmark data, e.g. quoted prices from exchange, the counterparty´s valuations, price data from consensus services etc.

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

- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available), and
- Derivatives (OTC-derivatives).

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

Note 40 Assets and liabilities at fair value provides a breakdown of fair values of financial instruments measured on the basis of:

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

The valuation models applied by Nordea are consistent with accepted economic methodologies for pricing financial instruments, and incorporate the factors that market participants consider when setting a price.

New valuation models are subject to approval by Group Credit and Risk Control and all models are reviewed on a regular basis.

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

11. Cash and balances with central banks

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 institutions is established
- the balance is readily available at any time.

12. Financial instruments

Classification of financial instruments

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

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

Financial liabilities:
- Financial liabilities at fair value through profit or loss:
  - Held for trading
  - Designated at fair value through profit or loss (Fair Value Option)
- Other financial liabilities

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is measured in the balance sheet and how changes in its value are recognised. In Note 39 Classification of financial instruments the classification of the financial instruments in Nordea's balance sheet is presented into different categories.

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

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

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

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. These assets and their impairment are further described in the separate section 13 Loans to the public/credit institutions.

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

If more than an insignificant amount of the Held to maturity portfolio is sold or transferred, the Held to maturity category is tainted, except for if the sale or transfer either occurs close to maturity, after substantially all of the original principal is already collected, or due to an isolated non-recurring event beyond the control of Nordea.

Nordea assesses at each reporting date whether there is any objective evidence that the asset is impaired. If there is such evidence, an impairment loss is recorded. The loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows and is recognised as 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-bearings securities classified into the category Held to maturity.

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

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

Financial assets classified into the category Available for sale are assessed 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 and receivables to credit institutions or as Loans and receivables to the public. Cash collateral received (securities lending) from the counterparts are recognised on the balance sheet as Deposits by credit institutions or as Deposits and borrowings from the public.

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

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

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

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

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

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

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

Exchanged traded derivatives are generally accounted for as settled on a daily basis when cash is paid or received and the instrument is reset to market terms. Derivative assets and liabilities against central counterparty clearing houses are, as mentioned above, generally set off on the balance sheet, but net cash collateral received or paid is generally accounted for separately as cash collateral paid (asset) or received (liability), which is also the case for cash collateral paid or received in bilateral OTC derivative transactions. Cash collateral paid or received in bilateral OTC derivative transactions are consequently not offset against the fair value of the derivatives.

Issued debt
A financial instrument issued by Nordea is either classified as a financial liability or equity. Issued financial instruments are classified as a financial liability if the contractual arrangement results in Nordea having a present obligation to either deliver cash or another financial asset, or a variable number of equity instruments to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and classified as equity, net of transaction costs. Where issued financial instruments contain both liability and equity components, these are accounted for separately.

13. Loans to the public/credit institutions

Financial instruments classified as Loans to the public/credit institutions in the balance sheet and into the category Loans and receivables not measured at fair value are measured at amortised cost (see also the separate section 7 Recognition and derecognition in the balance sheet as well as Note 39 Classification of financial instruments).

Nordea monitors loans and receivables as described in the separate section on Risk, Liquidity and Capital management. Loans attached to individual customers or groups of customers are identified as impaired if the impairment tests indicate an objective evidence of impairment

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

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

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

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

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

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

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

Personal customers and small corporate customers are monitored through scoring models. These are based mostly on historical data, as default rates and loss rates given a default, and experienced judgement performed by management. Rating and scoring models are described in more detail in the separate section on Risk, Liquidity and Capital management.

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

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

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

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

If the impairment loss is not regarded as final, the impairment loss is accounted for on an allowance account representing the accumulated impairment losses. Changes in the credit risk and accumulated impairment losses are accounted for as changes in the allowance account and as Net loan losses in the income statement (see also section 6 Recognition of operating income and impairment).

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

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

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

Assets taken over for protection of claims
In a financial reconstruction the creditor may concede loans to the obligor and in exchange for this concession acquires an asset pledged for the conceded loans, shares issued by the obligor or other assets. Assets taken over for protection of claims are reported on the same balance sheet line as similar assets already held by Nordea. For example a property taken over, not held for Nordea's own use, is reported together with other investment properties.

At initial recognition, all assets taken over for protection of claims are recognised at fair value and the possible difference between the carrying amount of the loan and the fair value of the assets taken over is recognised as Net loan losses. The fair value of the asset on the date of recognition becomes its cost or amortised cost value, as applicable. In subsequent periods, assets taken over for protection of claims are valued in accordance with the valuation principles for the appropriate type of asset. Financial assets that are foreclosed are classified into the categories Available for sale or Designated at fair value through profit or loss (Fair Value Option) (see section 12 Financial instruments) and measured at fair value. Changes in fair values are recognised in other comprehensive income for assets classified into the category Available for sale. For assets classified into the category Designated at fair value through profit or loss, changes in fair value are recognised in the income statement under the line Net result from items at fair value.

Any change in value, after the initial recognition of the asset taken over, is presented in the income statement in line with the Group's presentation policies for the appropriate asset. Net loan losses in the income statement are, after the initial recognition of the asset taken over, consequently not affected by any subsequent remeasurement of the asset.

14. Leasing

Nordea as lessor

Finance leases

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

Operating leases

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

Nordea as lessee

Finance leases

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

Operating leases

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

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

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

15. Intangible assets

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

Goodwill

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18. Taxes

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

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

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

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

Current tax assets and current tax liabilities are offset when the legal right to offset exists and Nordea intends to either settle the tax asset and the tax liability net or to recover the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

19. Earnings per share

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

20. Employee benefits

All forms of consideration given by Nordea to its employees as compensation for services performed are employee benefits. Short-term benefits are to be settled within twelve months after the reporting period when the services have been performed. Post-employment benefits are benefits payable after the termination of the employment. Post-employment benefits in Nordea consist only of pensions. Termination benefits normally arise if an employment is terminated before the normal retirement date, or if an employee accepts an offer of voluntary redundancy.

Short-term benefits

Short term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to Nordea. Nordea has also issued share-based payment programmes, which are further described in section 22 Share-based payment.

More information can be found in Note 8 Staff costs.

Post-employment benefits

Pension plans

The companies within Nordea Bank Norge have various pension plans. The major plans are funded schemes covered by assets in a pension fund. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit obligation, determined using the projected unit credit method, the net amount is recognised as a liability (defined benefit obligation). If not, the net amount is recognised as an asset (defined benefit asset). Unfunded pension plans are recognised as defined benefit obligations. All defined benefit pension plans are closed for new employees.

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

Pension costs

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. Nordea's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Actuarial calculations, including the projected unit credit method are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note 33 Retirement benefit obligations).

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

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

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and is included in the Retirement benefit obligation.

Discount rate in defined benefit pension plans
The discount rate is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In Nordea Bank Norge the discount rate is determined with reference to covered bonds.

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

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

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

21. Equity

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

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

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

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

22. Financial guarantee contracts and credit commitments

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

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

23. Share-based payment

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

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

For more information see Note 8 Staff costs and 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, as is also the case with the Executive Incentive Programme (EIP). The deferred amounts are to some extent indexed using Nordea's TSR (Total Shareholders' Return) and these programmes are cash-settled share-based programmes under IFRS. These programmes are fully vested when the payments of variable salaries are initially deferred and the fair value of the obligation is remeasured on a continuous basis. The remeasurements are, together with the related social charges, recognised in the income statement in the item Net result from items at fair value.

For further information on EIP and deferrals see Note 8 Staff costs and Nordea Bank AB (publ.) Annual Report.

24. Related party transactions

Nordea Bank Norge 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. For information concerning transactions with related parties see Note 44 Related-party transactions.

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, Group Executive Management, the Control Committee and the Board of Representatives.

For information about compensation and pensions to key management personnel, see Note 8 Staff costs. Information concerning other transactions between Nordea and key management personnel is found in Nordea Bank AB (publ.) Annual Report Note 44 Related-party transactions.

Other related parties

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

25. Exchange rates

EUR 1 = NOK	2014	2013
Income statement (average)	8.3597	7.8091
Balance sheet (at end of period)	9.0420	8.3630
USD 1 = NOK		
Income statement (average)	6.3069	5.8802
Balance sheet (at end of period)	7.4475	6.0641
SEK 1 = NOK		
Income statement (average)	0.9186	0.9025
Balance sheet (at end of period)	0.9626	0.8989
DKK 1 = NOK		
Income statement (average)	1.1214	1.0471
Balance sheet (at end of period)	1.2145	1.1212

Note 2:

Segment reporting[1]

	Retail Banking NO		Wholesale Banking: CIB Total		Wholesale Banking: Shipping, Offshore & Oil Services		Wholesale Banking: Other Wholesale[3,4]		Group Corporate Centre		Wealth Management[4]		Total Operating segments		Reconciliation[2,3]		Total Group	
	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2013
Net interest income	6,487	6,214	969	964	1,057	1,018	120	156	3,459	3,426	-2	1	12,090	11,779	-2,282	-2,388	9,808	9,391
Net fee and commission income	2,102	1,964	716	558	295	243	476	325	37	39	-542	-498	3,084	2,631	-416	-191	2,668	2,440
Net result from items at fair value	671	654	323	414	125	107	353	398	138	33	0	0	1,610	1,606	-990	-1,094	620	512
Profit from companies accounted for under the equity method	3	2	0	0	0	0	0	0	0	0	0	0	3	2	-61	137	-58	139
Other income	57	154	-3	-4	6	0	0	2	23	33	11	15	94	200	41	3	135	203
Total operating income, NOKm	**9,320**	**8,988**	**2,005**	**1,932**	**1,483**	**1,368**	**949**	**881**	**3,657**	**3,531**	**-533**	**-482**	**16,881**	**16,218**	**-3,708**	**-3,533**	**13,173**	**12,685**
Staff costs	-1,797	-1,756	-67	-60	-111	-108	-658	-676	-129	-129	-77	-64	-2,839	-2,793	-349	119	-3,188	-2,674
Other expenses	-2,223	-2,294	-428	-435	-140	-147	643	626	-255	-136	275	257	-2,128	-2,129	180	229	-1,948	-1,900
Depreciation, amortisation and impairment charges of tangible and intangible assets	-116	-107	0	0	0	0	-646	-655	-18	-21	0	-1	-780	-784	418	633	-362	-151
Total operating expenses	**-4,136**	**-4,157**	**-495**	**-495**	**-251**	**-255**	**-661**	**-705**	**-402**	**-286**	**198**	**192**	**-5,747**	**-5,706**	**249**	**981**	**-5,498**	**-4,725**
Net loan losses	-497	-232	-350	-894	25	-270	0	0	-13	-11	0	0	-835	-1,407	14	6	-821	-1,401
Operating profit, NOKm	**4,687**	**4,599**	**1,160**	**543**	**1,257**	**843**	**288**	**176**	**3,242**	**3,234**	**-335**	**-290**	**10,299**	**9,105**	**-3,445**	**-2,546**	**6,854**	**6,559**
Income tax expense[5]	-1,293	-1,303	-320	-154	-347	-239	-79	-50	-895	-916	92	82	-2,842	-2,580	951	722	-1,891	-1,858
Net profit for the year	**3,394**	**3,296**	**840**	**389**	**910**	**604**	**209**	**126**	**2,347**	**2,318**	**-243**	**-208**	**7,457**	**6,525**	**-2,494**	**-1,824**	**4,963**	**4,701**
Balance sheet, NOKmrd																		
Loans to the public, NOKbn	411	386	30	34	50	43	9	0	0	0	0	0	500	463	0	0	500	463
Deposits and borrowings from the public, NOKbn	176	163	42	39	19	17	0	0	0	0	0	0	237	219	0	0	237	219

Reconciliation between total operating segments and financial statements

	Total operating income, NOKm[3,4]		Operating profit, NOKm[3,4]		Loans to the public, NOKbn		Deposits and borrowings from the public, NOKbn	
	2014	2013	2014	2013	2014	2013	2014	2013
Total Operating segments	16,881	16,218	10,299	9,105	500	463	237	219
Reconciliation[2]	-2,089	-1,847	-2,477	-1,665	0	0	0	0
Eliminations	-14	-168	0	0	0	0	0	0
Differences in accounting policies between the segments and the group regarding Markets[3]	-1,605	-1,518	-968	-881	0	0	0	0
Total	**13,173**	**12,685**	**6,854**	**6,559**	**500**	**463**	**237**	**219**

[1] Segment reporting has been changed as a consequence of organisational changes throughout 2014. Comparative information has been restated accordingly.

[2] Consists of Group Risk Management, Sundry and Other Group Functions , made up of Group Internal Audit, Group Human Resources, Group Identity and Communications, Sundry units incl Eksportfinans, eliminations and allocations related to Markets as per footnote 3 below.

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

[4] 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 as if they were the counterparts in the transactions. In the financial statements the results are recognised where the legal agreements with the customer are established. This practice is also used within Transaction Products which is reported within Other Wholesale.

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

Note 2:
Segment reporting cont.

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

Compared with the 2013 Annual Report there have been no changes in the measurement of segment profit or loss.

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

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

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

Total operating income split on product groups

NOKm	2014	2013
Banking products	11,608	11,077
Capital Markets products	1,130	1,119
Savings Products & Asset Management	164	143
Life & Pensions	87	72
Other	184	274
Total	**13,173**	**12,685**

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	2014	2013	2014	2013
Interest income				
Loans to credit institutions	351	270	917	1,014
Loans to the public	17,087	17,040	12,284	12,014
Interest-bearing securities	1,317	765	1,610	1,248
Other interest income	988	1,300	535	839
Interest income	**19,743**	**19,375**	**15,346**	**15,115**
Interest expense				
Deposits by credit institutions	-1,856	-1,589	-1,861	-1,598
Deposits and borrowings from the public	-3,737	-4,023	-3,738	-4,023
Debt securities in issue	-2,029	-1,814	-133	-78
Subordinated liabilities	-434	-429	-434	-429
Other interest expenses[1]	-1,879	-2,129	-2,091	-2,249
Interest expense	**-9,935**	**-9,984**	**-8,257**	**-8,377**
Net interest income	**9,808**	**9,391**	**7,089**	**6,738**

[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 18,563m (NOK 18,773m) for the group and NOK 13,874m (NOK 14,029m) for the parent company. Interest expenses from financial instruments not measured at fair value through profit and loss amounts to NOK 8,090m (NOK 8,178m) for the group and NOK 6,199m (NOK 6,451m) for the parent company.

Interest on impaired loans amounted to an insignificant portion of interest income.

Note 4:
Net fee and commission income

NOKm	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Asset management commissions	104	56	104	56
Life insurance	87	72	87	72
Brokerage, securities issues and corporate finance[1]	409	389	409	389
Custody and issuer services	222	202	222	202
Deposits	61	93	61	86
Total savings and investments	**883**	**812**	**883**	**805**
Payments	372	374	373	373
Cards	852	831	848	826
Total payment and cards	**1,224**	**1,205**	**1,221**	**1,199**
Lending	1,198	1,031	1,029	862
Guarantees and documentary payments	17	85	17	85
Total lending related to commissions	**1,215**	**1,116**	**1,046**	**947**
Other commission income	179	90	180	90
Fee and commission income	**3,501**	**3,223**	**3,330**	**3,041**
Savings and investments[1]	−134	−136	−130	−134
Payments	−283	−268	−283	−268
Cards	−373	−344	−373	−343
Lending	−6	−2	−3	0
Other commission expenses	−37	−33	−34	−27
Fee and commission expense	**−833**	**−783**	**−823**	**−772**
Net fee and commission income	**2,668**	**2,440**	**2,507**	**2,269**

[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 600m (NOK 517m) for the Group and NOK 600m (NOK 517m) 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 1259m (NOK 1125m) for the Group and NOK 1090m (NOK 948m) for the parent company. The corresponding amount for fee expenses is NOK 0m (NOK 0m) for the Group.

Note 5:
Net result from items at fair value

NOKm	Group 2014	Group 2013	Parent 2014	Parent 2013
Shares/participations and other share-related instruments	100	40	96	35
Interest-bearing securities and other interest-related instruments	162	234	181	219
Foreign exchange gains/losses	352	222	356	213
Investment properties	6	16	2	15
Total	**620**	**512**	**635**	**482**

Net result from categories of financial instruments

NOKm	Group 2014	Group 2013	Parent 2014	Parent 2013
Available for sale assets, realised	34	-10	30	-10
Financial instruments designated at fair value through profit or loss	29	20	40	15
Financial instruments held for trading	260	242	295	254
Financial instruments under fair value hedge accounting	-19	2	-39	6
– of which net result on hedging instruments	957	43	-140	143
– of which net result on hedged items	-976	-41	101	-138
Financial assets measured at amortised cost	25	1	20	-1
Foreign exchange gains/losses excl currency hedges	303	251	306	213
Other	-12	6	-17	5
Total	**620**	**512**	**635**	**482**

Note 6:
Dividends and group contribution

NOKm	Parent company 2014	Parent company 2013
Investments in group undertakings	675	14
Total	**675**	**14**

Note 7:
Other operating income

NOKm	Group 2014	Group 2013	Parent company 2014	Parent company 2013
Income from real estate	5	7	5	8
Disposals of tangible and intangible assets	56	78	5	9
Other	74	118	203	253
Total	**135**	**203**	**213**	**270**

Note 8:
Staff costs

	Group		Parent company	
NOKm	2014	2013	2014	2013
Salaries and remunerations	2,281	2,197	2,160	2,083
Pension costs (specification below)	330	-10	320	-12
Social security contributions	389	319	370	302
Allocation to profit-sharing[1]	73	37	68	34
Other staff costs	115	131	109	125
Total[1]	**3,188**	**2,674**	**3,027**	**2,532**

[1] Allocation to profit-sharing foundation in 2014 consisted of a new allocation of NOK 69m (64m for the parent company) and additional cost related to prior years of NOK 4m (4m for the parent company). In 2013 new allocation amounted to 41m (38m for the parent) and allocation for prior year amounted to 4m (4m for the parent).

Pension costs (excluding social charges)	Group		Parent company	
NOKm	2014	2013	2014	2013
Defined Benefit plans (Note 33)	266	139	260	132
Defined Contribution plans (Note 33)[2]	64	-149	60	-144
Total[1]	**330**	**-10**	**320**	**-12**

[1] Amounting to -374m (-364m for the parent) including social charges in 2014 and -6m (-8m for the parent) in 2013.

[2] In 2010 Nordea recognised a provision for defined contributions payable to the new AFP plan. Due to changes in the underlying circumstances the allowance was reversed in its entirety with effect for the income statement for 2013. The total reversal during 2013 amounted to NOK 228m for the group and NOK 220m for the parent company.

Number of employees/full time positions				
Number of employees as at 31.12	2,955	3,133	2,769	2,940
Full-time equivalents as at 31.12.	2,703	2,862	2,533	2,684
- of which men	1,435	1,521	1,349	1,431
- of which women	1,268	1,341	1,184	1,253
Average full time equivalents	2,801	2,870	2,626	2,697
- of which men	1,476	1,522	1,388	1,432
- of which women	1,325	1,348	1,238	1,265
Gender distribution Board of Directors				
Percent at year-end				
- Men	73	71	60	60
- Women	27	29	40	40

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

The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Directors' Report in NB AB's annual report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) one week before the Annual General Meeting on 19 March 2015.

Remuneration to the CEO and senior executives

Statement to the Annual General Meeting 2015 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 2015:

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 determining salary and incentives are described in the Nordea Bank AB (publ.) Annual Report and on the company's homepage under Corporate Governance.

According to the 2010 regulations relating to remuneration schemes in holding companies within financial groups, banks, etc., every company is required to have a separate remuneration board to help promote and give incentives to ensure good management and control over the company's risk, to counter for high risk taking, and to help avoid conflicts of interest. Accordingly, the remuneration board must have sufficient knowledge and experience with risk analysis to be able to assess whether the company's remuneration policy is appropriate. The financial supervisory authority has given all Norwegian Nordea companies, including Nordea Bank Norway ASA, permission to use the Nordea Bank AB (publ.) Remuneration Committee (BRC) as a common remuneration board, effective up to the date of the Annual General Meeting of 2015. (BRC's members are independent of the company and its management, and the committee currently consists of Marie Ehrling (chairperson) and Björn Wahlroos.)

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.

Note 8:
Staff costs cont.

This compensation is proposed by the Board of Directors and decided on by the Board of Representatives. For 2014 the compensation was fixed at NOK 1,500,000.

The CEO did not receive any bonuses or non-monetary benefits from Nordea Bank Norge ASA for 2014, and did not receive any remuneration in the form of shares, options, etc. in Nordea Bank Norge ASA in 2014, 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 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, such as general wage settlements in the finance sector.

In 2014, an individual incentive scheme also applied to senior executives, comprising a Variable Salary Part (VSP). This scheme was contingent upon the management's decision based on predetermined criteria and was limited to a percentage of the regular fixed salary.

The VSP was as instilled as a maximum 25% of the regular fixed salary. This was paid in addition to the regular fixed salary and subject to the achievement of Nordea Group, unit, and personal targets. These targets are set annually in co-operation with a direct manager.

Thus, senior executives in Nordea Bank Norge ASA could 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 could also apply to a very limited number of senior executives within specific professional fields.

An already agreed upon severance pay scheme pertains to a select few senior executives, taking effect upon termination of their employment. The employees covered by this scheme will receive their regular fixed salary for a number of months as determined by the seniority of their management position, limited to 24 months including their 6-month notice period and deducted by any income from other employers or assignments.

Senior executives – Incentive Programme - EIP
The Board's main objective with the programme is to strengthen Nordea's capability to retain and recruit the best talent for key leadership positions. The aim is furthermore to stimulate the managers and key employees whose efforts have direct impact on Nordea's results, profitability, and value growth, so as to increase management efforts by aligning their interests and perspectives with those of shareholders.

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

The Executive Incentive Programme covers 46 senior executives in 2014.

More information on the incentive programmes can be found at Nordea.com, as well as in the Annual Report of Nordea Bank AB (publ.) for previous years.

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 common industry practice.

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

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

Effects on the company in 2014
The above principles and guidelines have been in practice over time, and are complied with in 2014, with the exception of minor adjustments for key management staff and the annual assessment of group and personal goals. We have no reason to point to any specific effects for the company or the shareholders.

Guidelines for 2015
The principles and guidelines described above will also apply to 2015. However, necessary adjustments will be made in line with amendments of relevant laws and regulations concerning incentive programmes in financial institutions.

Note 8:
Staff costs cont.

Explanation of details regarding individually specified remuneration as specified in the next two tables

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

Variable salary – includes profit sharing, variable salary and incentive programs. For futher description see Statement to the annual general meeting above. All employees receive profit sharing according to common Nordea strategy.

Benefits – includes non-monetary benefits like free car/car scheme, telephone and computer, loans on employee terms, insurance schemes, etc.

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

Loans and interest – total loan engagement as of 31 December 2014. Senior executives are given loans on the same terms as regular employees. The employee interest rate for loans is variable and was at 31 December 2014 at 2,8% for loans up to 5m and 3,15% for loans above 5m. Loans to family members of senior executives are granted on normal market terms, as well as loans to senior executives not employed by Nordea. Interest includes interest income on the loans for Nordea Bank Norge during 2014. The Chairman of the Board of NBN ASA does not have loans in NBN.

Shares and options – None of the senior executives has shares, option rights or hold part of any option programme within NBN. However, some senior executives in NBN are part of the NB AB share option programme, referred to above as Long Term Incentive Programme, LTIP. Total costs for NBN Group related to the LTIP program amounted to 18m (17m for the parent) in 2014 and 21m (20m for the parent) in 2013, including social security, of which 0m (0m) relates to the individuals below.

Salaries and remuneration – per individual, figures in NOK thousand, 2014

Name and position	Fixed salary and fees	Variable salary	Benefits	Pensions	**Total remune-ration**	Pension obligation	Loans	Interest
Gunn Wærsted, CEO [1]							2,486	79
Ari Kaperi, Chairman of the Board [1]								
Torsten Hagen Jørgensen [1]								
Mary Helene Moe	198				198			
Karin S. Thorburn	198				198			
Hans Christian Riise, employees' representative	865	15	16	89	985	1,648	841	22
Total CEO and Board of Directors of NBN ASA [1]	**1,261**	**15**	**16**	**89**	**1,381**	**1,648**	**3,327**	**101**
Ari Kaperi, Chairman of the Board [1]								
Karin S. Thorburn	36				36			
Total Board Audit Committee of NBN ASA [1]	**36**	**0**	**0**	**0**	**36**	**0**	**0**	**0**
Inger-Johanne Lund, Chairman	175				175			
Christian Hambro [2]	145				145			
Janicke L. Rasmussen	105				105			
Odd Svang-Rasmussen [3]	135				135			
Total Control Committee of NBN ASA	**560**	**0**	**0**	**0**	**560**	**0**	**0**	**0**
Total Board of Representatives of NBN ASA [4, 5]	**2,527**	**117**	**63**	**168**	**2,875**	**4,193**	**17,848**	**492**
Total remuneration and loans to Senior Executives	**4,384**	**132**	**79**	**257**	**4,852**	**5,841**	**21,175**	**593**

Note 8:
Staff costs cont.

Salaries and remuneration – per individual, figures in NOK thousand, 2013

Name and position	Fixed salary and fees	Variable salary	Benefits	Pensions	**Total remune-ration**	Pension obligation	Loans	Interest
Gunn Wærsted, CEO [1]							4,099	128
Ari Kaperi, Chairman of the Board [1]								
Fredrik Rystedt (1.1.–28.1.2013) [1]								
Torsten Hagen Jørgensen (28.1.–31.12.2013) [1]								
Karin S. Thorburn	194				194			
Mary Helene Moe	194				194		3	
Steinar Nickelsen, employees' representative (1.1.–11.3.2013)	157		4	6	167	1,164	1,622	42
Hans Christian Riise, employees' representative (11.3.–31.12.2013)	706		14	44	764	891	894	18
Total CEO and Board of Directors of NBN ASA[1]	**1,251**	**0**	**18**	**50**	**1,319**	**2,055**	**6,618**	**188**
Ari Kaperi, Chairman of the Board [1]								
Karin S. Thorburn	36				36			
Total Board Audit Committee of NBN ASA [1]	**36**	**0**	**0**	**0**	**36**	**0**	**0**	**0**
Inger Johanne Lund, Chairman	174				174			
Christian Hambro [2]	135				135			
Janicke L. Rasmussen	105				105			
Odd Svang-Rasmussen [3]	135				135			
Total Control Committee of NBN ASA	**549**	**0**	**0**	**0**	**549**	**0**	**0**	**0**
Total Board of Representatives of NBN ASA [4, 5]	**1,422**	**63**	**37**	**634**	**2,156**	**45,370**	**9,516**	**278**
Total remuneration and loans to Senior Executives	**3,258**	**63**	**55**	**684**	**4,060**	**47,425**	**16,134**	**466**

Comments

[1] Nordea Bank Norge 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 Nordea Group CFO, Torsten Hagen Jørgensen and Ari Kaperi (Nordea Group CRO). The CEO is employed by the NB AB branch in Norway and a member of GEM. This ensures that Nordea is managed according to Nordea Group strategy. The 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 4.6m to NB AB (4m in 2013). In addition, as a compensation to NB AB branch in Norway 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 2014 (same level as in 2013).

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

[2] Member of Control Committees in both NBN and Nordea Finans Norge AS (NFN). NOK 40,000 (30,000 for 2013) of total fees shown in the table is remunerated from NFN for membership in the NFN Control Committee .

[3] Member of Control Committees in both NBN and Nordea Finans Norge AS (NFN). NOK 30,000 (30,000 for 2013) of total fees shown in the table is remunerated from NFN for membership in the NFN Control Committee .

[4] Total fee paid in 2014 to all members of the Board of Representatives in NBN was NOK 201,900 (NOK 270,795 in 2013), of which NOK 138,700 (NOK 199,995 in 2013) was paid to external members not employed by Nordea. All attending members received NOK 3,600 (NOK 3,600 in 2013) for each of the two meetings during the year (four in 2013). Loans to external members amounted to NOK 9,416,624 at year end (NOK 1,921,701 in 2013), and the fees were paid according to attendance with up to NOK 7,200 to the following external members in 2014: Inger-Johanne Lund, Øyvind A. Brøymer, John Giverholt, Christian Hambro, Jens L. Hofgaard, Nina Iversen, Petter Faye-Lund, Hege Marie Norheim, Stein Wessel-Aas, Peter Groth, Sissel Stenberg and Karin S. Thorburn. Fees in 2013 paid according to attendance with up to NOK 14,000 to the external members: Inger Johanne Lund, Øyvind A. Brøymer, John Giverholt, Christian Hambro, Jens L. Hofgaard, Nina Iversen, Petter Faye-Lund, Hege Marie Norheim, Peter Groth, Baard Syrrist, Sissel Stenberg, Stein Wessel-Aas and Anders Utne. The fee to the chairman Bjarne Aamodt was NOK 65,900 (NOK 65,900 in 2013) and to the deputy chairman Cato A. Holmsen NOK 18,500 (NOK 18,500 in 2013). For Nordea employed members, the following members received up to NOK 34,400 in 2014: Arve Sæther, Marianne Schøitz, Harald Rune Ulstein, Kjell Arne Ystenes, Ellen Sara Teig and Hedda Grundt. For Nordea employed members, the following members received up to NOK 14,400 in 2013: Marianne Schøitz, Hedda Grundt, Arve Sæther, Harald Rune Ulstein and Kjell Arne Ystenes. The other figures above shows the remunerations the Nordea employed members received in relation to their regular employment with Nordea.

In addition to the loan amount shown in the table, NBN has customer relationships with related companies, where members of the Board of Representatives have significant influence. See Note 44 Related-party transactions for further information.

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

Note 8:
Staff costs cont.

Loans to employees
Loans to the Group's employees (including retired employees) totalled NOK 7.3bn as of 31 December 2014 (NOK 6.9bn 31 December 2013). The interest income totalled NOK 30m on these loans in 2014 (NOK 24.6m in 2013). The effect is included in Net interest income.

Cash-settled share-based payment transactions
Nordea operates share-linked deferrals on parts of variable compensation for certain employee categories, indexed with Nordea Total Shareholder Returns (TSR) and either vesting after three years or vesting in equal instalments over a three to five year period. Since 2011 Nordea also operates TSR-linked retention on part of variable compensation for certain employee categories. The below table only includes deferred amounts indexed with Nordea TSR. Due to that the allocation of variable compensation is not finally decided during the current year, the deferred amount during the year in the table below relates to variable compensation earned the previous year.

In addition Nordea in 2013 introduced the Executive Incentive Programme ('EIP') which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2014 is paid no earlier than autumn 2018. Participation in the programme is offered to managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Remuneration section in the Board of Director's Report in NB AB's annual report), within the Nordea Group. EIP 2013 is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2014 is decided during spring 2015, and a reservation of NOK 53m incl. social costs (50m for the parent) has been made 2014. 80% of the allocated amount will be subject to TSR-indexation.

The table below only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2014, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

	Group		Parent company	
NOKm	2014	2013	2014	2013
Opening balance	57,454	37,833	57,089	37,639
Deferred/earned during the year	18,382	16,898	18,005	16,742
TSR indexation during the year	6,819	16,573	6,755	16,475
Payments during the year[1]	-35,078	-12,797	-34,952	-12,730
Translation differences	0	-1,053	0	-1,037
Closing balance	**47,577**	**57,454**	**46,897**	**57,089**

[1] There have been no adjustments due to forfeitures in 2014

Note 9:
Other expenses

	Group		Parent company	
NOKm	2014	2013	2014	2013
Information technology	695	648	654	615
Marketing and representation	135	143	126	134
Postage, transportation, telephone and office expenses	177	186	159	175
Rents, premises and real estate	384	406	396	402
Other [1]	557	517	520	475
Total	**1,948**	**1,900**	**1,855**	**1,801**

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

Auditors' fees

During the year, the Group has expensed fees of NOK 5,0m including VAT to its external auditors (NOK 4,0m for the parent). For Group NOK 4,1m (3,5m for parent) were connected to audit work, while NOK 0,9m (0,5m for parent) were for other services.

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

	Group		Parent company	
NOKm	2014	2013	2014	2013
Depreciation/amortisation				
Properties and equipment (Note 22)	117	85	86	83
Intangible assets (Note 21)	50	62	48	59
Total	**167**	**147**	**134**	**142**
Impairment charges / Reversed impairment charges				
Intangible assets (Note 21)	195	4	195	4
Total	**195**	**4**	**195**	**4**
Total	**362**	**151**	**329**	**146**

Note 11:
Net loan losses

	Group		Parent	
NOKm	2014	2013	2014	2013
Divided by class				
Reversals of previous provisions	0	2	0	2
Loans to credit institutions[1]	**0**	**2**	**0**	**2**
Realised loan losses	-1,083	-1,423	-988	-1,322
Allowances to cover realised loan losses	-347	-1,047	-301	-1,002
Recoveries on previous realised loan losses	249	674	219	645
Provisions	318	374	275	325
Reversals of previous provisions	40	59	33	52
Loans to the public[1]	**-823**	**-1,363**	**-762**	**-1,302**
Realised loan losses	-19	-41	-19	-41
Provisions	21	0	21	0
Reversals of previous provisions	0	1	0	1
Off-balance sheet items[2]	**2**	**-40**	**2**	**-40**
Net loan losses	**-821**	**-1,401**	**-760**	**-1,340**

[1] See Note 13 “Loans and impairment”

[2] Included in Note 32”Provisions” as “Individually assessed guarantees and other commitments”.

Note 12:
Taxes

Income tax expense

	Group		Parent company	
NOKm	2014	2013	2014	2013
Current tax	-1,045	-618	-694	-24
Deferred tax	-846	-1,240	-692	-1,156
Total	**-1,891**	**-1,858**	**-1,386**	**-1,180**

Current and deferred tax recognised in Other comprehensive income

	Group		Parent company	
NOKm	2014	2013	2014	2013
Deferred tax on remeasurements of pension obligation DBP[1]	-39	-335	-46	-329
Deferred tax relating to available-for-sale investments	-66	-35	-66	-35
Deferred tax relating to cash flow hedges	-33	-1	4	-13
Total	**-138**	**-371**	**-108**	**-377**

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	2014	2013	2014	2013
Profit before tax	6,854	6,559	5,148	3,954
Tax calculated at a tax rate of 27% in 2014 and 28% in 2013	-1,851	-1,837	-1,390	-1,107
Effect of different tax rates in other countries	0	-2	0	-2
Income/loss from associated undertakings	-15	35	0	0
Tax-exempt income	37	10	32	10
Non-deductible expenses	-37	-17	-22	-16
Change of tax rate[1]	-32	37	-6	22
Adjustments relating to prior years	7	-84	0	-87
Not creditable foreign taxes	0	0	0	0
Tax charge	**-1,891**	**-1,858**	**-1,386**	**-1,180**
Average effective tax rate	-27.6 %	28.3 %	-26.9 %	29.8 %

[1] Due to change in corporate tax rate in Norway from 28% to 27%.

Note 12:
Taxes cont.

Deferred tax	Group			
	Deferred tax assets		Deferred tax liabilities	
NOKm	2014	2013	2014	2013
Deferred tax related to:				
Tax losses carry-forward[1]	2,311	183	0	0
Financial instruments and derivatives	0	0	4,595	1,484
Properties, equipment and intangible assets	10	15	0	0
Retirement benefit assets/obligations	638	296	0	0
Liabilities/provisions/other	60	28	0	0
Netting between deferred tax assets and liabilities	-3,019	-522	-3,019	-522
Total	**0**	**0**	**1,576**	**962**

[1] During the year, a change in the treatment of financial instruments, led to a historic changes in taxes payable of 694 mNOK and deferred tax assets of 694 mNOK, via loss carryforward, with a net difference on total tax approximating zero and has been accounted for in 2014.

	Parent company			
	Deferred tax assets		Deferred tax liabilities	
NOKm	2014	2013	2014	2013
Deferred tax related to:				
Tax losses carry-forward[1]	2,257	183	0	0
Financial instruments and derivatives	0	0	3,921	1,074
Properties, equipment and intangible assets	10	15	0	0
Retirement benefit assets/obligations	617	296	0	0
Liabilities/provisions/other	58	25	0	0
Netting between deferred tax assets and liabilities	-2,942	-519	-2,942	-519
Total	**0**	**0**	**979**	**555**

[1] During the year, a change in the treatment of financial instruments, led to a historic changes in taxes payable of 694 mNOK and deferred tax assets of 694 mNOK, via loss carryforward, with a net difference on total tax approximating zero and has been accounted for in 2014.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax income taxes related to the same fiscal authority.

Note 13:
Loans and impairment

Group	Central banks and credit institutions		The public[1]		Total	
NOKm	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Loans, not impaired	17,863	33,076	498,592	461,711	516,455	494,787
Impaired loans	0	0	4,374	3,525	4,374	3,525
- Performing	0	0	2,330	1,227	2,330	1,227
- Non-performing	0	0	2,044	2,298	2,044	2,298
Loans before allowances	**17,863**	**33,076**	**502,966**	**465,236**	**520,829**	**498,312**
Allowances for individually assessed impaired loans	0	0	-2,428	-1,791	-2,428	-1,791
- Performing	0	0	-1,070	-435	-1,070	-435
- Non-performing	0	0	-1,358	-1,356	-1,358	-1,356
Allowances for collectively assessed impaired loans	0	0	-616	-673	-616	-673
Allowances	**0**	**0**	**-3,044**	**-2,464**	**-3,044**	**-2,464**
Loans, carrying amount	**17,863**	**33,076**	**499,922**	**462,772**	**517,785**	**495,848**

Parent company	Central banks and credit institutions		The public[1]		Total	
NOKm	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Loans, not impaired	54,138	70,555	361,481	325,395	415,619	395,950
Impaired loans	0	0	3,667	2,943	3,667	2,943
- Performing	0	0	2,199	1,116	2,199	1,116
- Non-performing	0	0	1,468	1,827	1,468	1,827
Loans before allowances	**54,138**	**70,555**	**365,148**	**328,338**	**419,286**	**398,893**
Allowances for individually assessed impaired loans	0	-0	-2,153	-1,531	-2,153	-1,531
- Performing	0	0	-1,024	-393	-1,024	-393
- Non-performing	0	-0	-1,129	-1,138	-1,129	-1,138
Allowances for collectively assessed impaired loans	0	0	-550	-613	-550	-613
Allowances	**0**	**-0**	**-2,703**	**-2,144**	**-2,703**	**-2,144**
Loans, carrying amount	**54,138**	**70,555**	**362,445**	**326,194**	**416,583**	**396,749**

[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.

Movements of allowance accounts for impaired loans

Group

	Central banks and 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 2014	**0**	**0**	**0**	**-1,789**	**-673**	**-2,462**	**-1,789**	**-673**	**-2,462**
Provisions	0	0	0	-1,053	-30	-1,083	-1,053	-30	-1,083
Reversal of previous provisions	0	0	0	231	87	318	231	87	318
Changes through the income statement	**0**	**0**	**0**	**-822**	**57**	**-765**	**-822**	**57**	**-765**
Allowances used to cover realised loan losses	0	0	0	249	0	249	249	0	249
Translation differences	0	0	0	-66	0	-66	-66	0	-66
Closing balance at 31 Dec 2014	**0**	**0**	**0**	**-2,428**	**-616**	**-3,044**	**-2,428**	**-616**	**-3,044**
Opening balance at 1 Jan 2013	**0**	**0**	**0**	**-1,677**	**-405**	**-2,082**	**-1,677**	**-405**	**-2,082**
Provisions	0	0	0	-1,114	-309	-1,423	-1,114	-309	-1,423
Reversal of previous provisions	0	0	0	333	41	374	333	41	374
Changes through the income statement	**0**	**0**	**0**	**-781**	**-268**	**-1,049**	**-781**	**-268**	**-1,049**
Allowances used to cover realised loan losses	0	0	0	674	0	674	674	0	674
Translation differences	0	0	0	-5	0	-5	-5	0	-5
Closing balance at 31 Dec 2013	**0**	**0**	**0**	**-1,789**	**-673**	**-2,462**	**-1,789**	**-673**	**-2,462**

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 2014	**0**	**0**	**0**	**-1,533**	**-613**	**-2,146**	**-1,533**	**-613**	**-2,146**
Provisions	0	0	0	-968	-21	-989	-968	-21	-989
Reversal of previous provisions	0	0	0	191	84	275	191	84	275
Changes through the income statement	**0**	**0**	**0**	**-777**	**63**	**-714**	**-777**	**63**	**-714**
Allowances used to cover realised loan losses	0	0	0	219	0	219	219	0	219
Translation differences	0	0	0	-62	0	-62	-62	0	-62
Closing balance at 31 Dec 2014	**0**	**0**	**0**	**-2,153**	**-550**	**-2,703**	**-2,153**	**-550**	**-2,703**
Opening balance at 1 Jan 2013	**0**	**0**	**0**	**-1,419**	**-370**	**-1,789**	**-1,419**	**-370**	**-1,789**
Provisions	0	0	0	-1,042	-280	-1,322	-1,042	-280	-1,322
Reversal of previous provisions	0	0	0	288	37	325	288	37	325
Changes through the income statement	**0**	**0**	**0**	**-754**	**-243**	**-997**	**-754**	**-243**	**-997**
Allowances used to cover realised loan losses	0	0	0	645	0	645	645	0	645
Translation differences	0	0	0	-5	0	-5	-5	0	-5
Closing balance at 31 Dec 2013	**0**	**0**	**0**	**-1,533**	**-613**	**-2,146**	**-1,533**	**-613**	**-2,146**

Note 13:
Loans and impairment cont.

Allowances and provisions[1]

Group	Central banks and credit institutions		The public		Total	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013	2014	2013
Allowances for items in the balance sheet	0	0	−3,044	−2,462	−3,044	−2,462
Provisions for off balance sheet items	0	0	−48	−47	−48	−47
Total allowances and provisions	**0**	**0**	**−3,092**	**−2,509**	**−3,092**	**−2,509**
Parent company						
Allowances for items in the balance sheet	0	0	−2,703	−2,146	−2,703	−2,146
Provisions for off balance sheet items	0	0	−48	−47	−48	−47
Total allowances and provisions	**0**	**0**	**−2,751**	**−2,193**	**−2,751**	**−2,193**

1) Included in Note 32 Provisions as Transfer risk, off-balance

Key ratios

	Total			
	Group		Parent	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Impairment rate, gross[1], basis points	84	71	87	74
Impairment rate, net[2], basis points	37	35	36	35
Total allowance rate[3], basis points	58	49	64	54
Allowances in relation to impaired loans[4], %	56	51	59	52
Total allowances in relation to impaired loans[5], %	70	70	74	73
Non-performing loans, not impaired, NOKm	840	616	571	355

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

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

3 Total allowances divided by total loans before allowances.

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

5 Total allowances divided by total impaired loans before allowances.

Note 14:
Interest-bearing securities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
State and sovereigns	36,161	28,120	36,161	28,120
Municipalities and other public bodies	11,309	7,038	11,309	7,038
Mortgage institutions	0	5,845	11,160	27,005
Other credit institutions	44,047	40,956	44,047	40,956
Corporates	57	948	57	948
Total	**91,574**	**82,907**	**102,734**	**104,067**

Note 15:
Financial instruments pledged as collateral

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

	Group		Parent	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Interest-bearing securities	1,117	766	1,117	766
Shares	275	258	275	258
Total	**1,392**	**1,024**	**1,392**	**1,024**

For information on transferred assets, see Note 42 Transferred assets and obtained collaterals .

Note 16:
Shares

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Shares	718	830	715	830
Total	**718**	**830**	**715**	**830**
- of which Financial instruments pledged as collateral (Note 15)	-275	-258	-275	-258
Total	**443**	**572**	**440**	**572**

Specification of shares	Group			Parent company		
31 Dec 2014	Book value NOKm	Market value NOKm	Voting power of holding %	Book value NOKm	Market value NOKm	Voting power of holding %
Current assets						
Deep Sea Supply	8	8	1.26	8	8	1.26
Eiendomsverdi	32	32	18.00	32	32	18.00
Grieg Seafood	189	189	5.92	189	189	5.92
Nordic Trustee Holding ASA	24	24	10.41	24	24	10.41
Norsk Hydro	42	42	0.05	42	42	0.05
Norwegian Air Shuttle	110	110	1.14	110	110	1.14
Royal Caribbean Cruises	62	62	0.05	62	62	0.05
SpareBank 1 Nord-Norge	13	13	0.34	13	13	0.34
TGS-NOPEC Geophysical Company	113	113	0.68	113	113	0.68
Other shares	18	18		18	18	
Total	612	612		612	612	
Of which pledged as collateral (see Note 15)	-275	-275		-275	-275	
Total	**337**	**337**		**337**	**337**	

		Group			Parent company		
31 Dec 2014	Norwegian Registration Number	Book value NOKm	Market value NOKm	Voting power of holding %	Book value NOKm	Market value NOKm	Voting power of holding %
Non-current assets							
Borea Oppurtunity II AS	989 652 036	9	9	1.78	9	9	1.78
Euroclear Clearance System Ltd.		85	85	0.82	85	85	0.82
Møre og Romsdal Såkornfond AS	991 173 110	1	1	5.43	1	1	5.43
Nordito Property AS	995 400 073	1	1	10.80	1	1	10.80
P-Hus Vekst AS	979 338 333	1	1	5.26	1	1	5.26
ProVenture Seed AS	989 765 248	3	3	2.98	3	3	2.98
SWIFT		2	2	-	2	2	-
Saltens Bilruter A/S	915 637 620	2	2	2.43	2	2	2.43
Trondheim Sprektrum AS	814 588 432	1	1	1.94	1	1	1.94
Other non-current shares		2	2		1	1	
Total		**107**	**107**		**104**	**104**	

Note 17:

Derivatives and Hedge accounting

	Group			Parent company		
	Fair value			Fair value		
31 Dec 2014, NOKm	Positive	Negative	Total nom amount	Positive	Negative	Total nom amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	51	294	156,749	2,605	2,848	237,232
FRAs	37	79	102,000	37	79	102,000
Other	2	2	136	2	2	136
Total	**90**	**375**	**258,885**	**2,644**	**2,929**	**339,368**
Equity derivatives						
Futures and forwards	15	63	586	15	63	586
Options	7	10	815	7	10	815
Total	**22**	**73**	**1,401**	**22**	**73**	**1,401**
Foreign exchange derivatives						
Currency and interest rate swaps	5,971	43	110,525	8,514	2,586	134,514
Total	**5,971**	**43**	**110,525**	**8,514**	**2,586**	**134,514**
Total derivatives held for trading	**6,083**	**491**	**370,811**	**11,180**	**5,588**	**475,283**
Derivatives used for hedge accounting						
Interest rate derivatives	2,404	1,241	104,501	213	877	39,144
Foreign exchange derivatives	3,464	0	21,148	921	0	10,411
Total derivatives used for hedge accounting	**5,868**	**1,241**	**125,649**	**1,134**	**877**	**49,555**
– of which fair value hedges[1]	2,404	1,241	104,501	213	877	39,144
– of which cash flow hedges[1]	3,464	0	39,399	921	0	10,411
Total derivatives	**11,951**	**1,732**	**496,460**	**12,314**	**6,465**	**524,838**

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

Periods when hedged cashflows are expected to occur and when they are expected to affect the income statement

Group

NOKm	<1 year	1–3 years	3–5 years	5–10 years	over 10 years
Cash outflows (liabilities)	0	14,477	0	18,703	500
Net cash flows	0	14,477	0	18,703	500

Note 17:
Derivatives and Hedge accounting cont.

	Group			Parent company		
	Fair value		Total nom	Fair value		Total nom
31 Dec 2013, NOKm	Positive	Negative	amount	Positive	Negative	amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	201	135	134,708	201	135	134,708
FRAs	11	8	15,000	11	8	15,000
Other	2	2	0	2	2	0
Total	**214**	**145**	**149,708**	**214**	**145**	**149,708**
Equity derivatives						
Equity swaps	0	14	14	0	14	14
Futures and forwards	0	30	428	0	30	428
Options	2	8	279	2	8	279
Total	**2**	**52**	**721**	**2**	**52**	**721**
Foreign exchange derivatives						
Currency and interest rate swaps	2,367	271	171,249	2,367	271	171,249
Currency forwards						
Total	**2,367**	**271**	**171,249**	**2,367**	**271**	**171,249**
Total derivatives held for trading	**2,583**	**468**	**321,678**	**2,583**	**468**	**321,678**
Derivatives used for hedge accounting						
Interest rate derivatives	1,176	1,039	99,508	1,578	2,128	155,595
Foreign exchange derivatives	1,431	0	16,759	1,431	1,431	34,951
Total derivatives used for hedge accounting	**2,607**	**1,039**	**116,267**	**3,009**	**3,559**	**190,546**
– of which fair value hedges[1]	1,176	1,039	116,267	1,578	2,128	190,547
– of which cash flow hedges[1]	1,431	0	16,759	1,431	1,431	34,951
Total derivatives	**5,190**	**1,508**	**437,945**	**5,592**	**4,027**	**512,224**

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

Note 18:

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

Assets	Group		Parent	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Carrying amount at beginning of year	436	764	348	411
Changes during the year				
Revaluation of hedged items	190	–328	161	–63
Carrying amount at end of year	**626**	**436**	**509**	**348**

Liabilities	Group		Parent	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Carrying amount at beginning of year	747	1,123	–58	2
Changes during the year				
Revaluation of hedged items	1,069	–376	163	–60
Carrying amount at end of year	**1,816**	**747**	**105**	**–58**

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, or 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	2014	2013
Acquisition value at beginning of year	5,042	4,646
Acquisitions during the year[1]	296	396
Liquidation during the year[2]	–10	0
Group contribution	486	0
Acquisition value at end of year	**5,814**	**5,042**

[1] In 2014 it was given group contribution to Nordea Eiendomskreditt AS and Nordea Essendropsgate Eiendomsforvaltning AS had an increase in share capital.

[2] Sale of Kilden 8 Næringseiendom AS in 2014.

Of which, listed shares	0	0

Specification

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

Parent company		Book value NOKm				
		31 Dec	31 Dec	Voting power of		Registration
31 Dec 2014	Number of shares	2014	2013	holding %	Domicile	number
Nordea Eiendomskreditt AS	15,336,269	4,720	4,233	100.0	Oslo	971 227 222
Nordea Finans Norge AS	63,000	593	593	100.0	Oslo	924 507 500
Nordea Essendropsgate Eiendomsforvaltning AS	7,500	297	1	100.0	Oslo	986 610 472
Nordea Utvikling AS	300	96	96	100.0	Oslo	999 222 862
First Card AS[1]	200	0	0	100.0	Oslo	963 215 371
Privatmegleren AS	12,000,000	108	108	100.0	Oslo	986 386 661
M-Invest AS	1,000	0	0	100.0	Oslo	988 823 511
Kildens 8 Næringseiendom AS[2]	1,000	0	11	100.0	Oslo	997 515 692
Total		**5,814**	**5,042**			

[1] Dormant company

[2] Sold in 2014

Note 20:
Investments in associated undertakings

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Acquisition value at beginning of year	1,553	1,413	417	417
Share in earnings [1]	-58	140	0	0
Dividend received	0	0	0	0
Acquisition value at end of year	**1,495**	**1,553**	**417**	**417**

[1] Nordea has chosen to use our own valuation model based on observable information in the market to estimate the credit spread effects related to the valuation of Eksportfinans' own debt. The model supports our position given in the press release of 22.Nov. 2011, and provides for an adjustment to increase Nordea's share of Eksportfinans' reported net result in 2014 by NOK 916m.

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

	31 Dec	31 Dec
NOKm	2014	2013
Total assets	20,039	23,554
Total liabilities	18,564	20,773
Operating income	-133	221
Operating profit	-73	175

On the General Meeting at 10 December 2014 it was decided that Bastuban 1 (publ.) will be liquidated. NBN investment in the shares of the company have book value of zero and no other commitments associated with the investment. As Bastuban 1 (publ.) has been released from its debt and all assets are transferred to the lender during December 2014, NBN's share will not be reflected in the remaining values connected to the balance sheet and income statement. The figures are not included in the table above.

Nordeas' share of contingent liabilities in associated undertakings amounts to NOK 6m (0).

			Book value NOKm		Voting power of holding %	
	Registration		31 Dec	31 Dec	31 Dec	31 Dec
31 Dec 2014	number	Domicile	2014	2013	2014	2013
Eksportfinans ASA	816 521 432	Oslo	1,481	1,542	23.21	23.21
NF Fleet AS	988 906 808	Oslo	14	11	20.00	20.00
Bastuban 1 (publ.)	556724-3158	Gothenburg	0	0	31.80	31.80
Total			**1,495**	**1,553**		

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

Note 21:
Intangible assets

	Group		Parent company	
NOKm	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Goodwill[1]	41	41	0	0
Computer Software	48	151	48	151
Other intangible assets	60	183	37	167
Total	**149**	**375**	**85**	**318**

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**

Movements in computer software				
Acquisition value at beginning of year	203	209	203	209
Acquisitions during the year	7	18	7	18
Sales/disposals during the year	-14	0	-14	0
Reclassifications	-96	-24	-96	-24
Acquisition value at end of year	**100**	**203**	**100**	**203**
Accumulated impairment charges at beginning of year	-52	-52	-52	-52
Impairment charges during the year	0	0	0	0
Accumulated impairment charges at end of year	**-52**	**-52**	**-52**	**-52**
Total	**48**	**151**	**48**	**151**

Other intangible assets				
Acquisition value at beginning of year	585	549	544	516
Acquisitions during the year	16	12	2	4
Sales/disposals during the year	-353	0	-345	0
Reclassifications	96	24	96	24
Acquisition value at end of year	**344**	**585**	**297**	**544**
Accumulated amortisation at beginning of year	-398	-336	-373	-315
Amortisation according to plan for the year	-50	-62	-48	-58
Accumulated amortisation on sales/disposals during the year	168	0	165	0
Accumulated amortisation at end of year	**-280**	**-398**	**-256**	**-373**
Accumulated impairment charges at beginning of year	-4	0	-4	0
Impairment charges during the year	-195	-4	-195	-4
Scrapping	195	0	195	0
Accumulated impairment charges at end of year	**-4**	**-4**	**-4**	**-4**
Total	**60**	**183**	**37**	**167**

[1] Excluding goodwill in associated undertakings.

[2] Impairment charges of goodwill. Goodwill is in connection with the acquisition of Privatmegleren AS (100% ownership). The assessment of goodwill for 2014 has been performed in accordance with International Financial Reporting Standards (IFRS), and no correction has been necessary.

Note 22:
Properties and equipment

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Properties and equipment	922	361	543	361
Of which buildings for own use	566	228	425	228
Total	**922**	**361**	**543**	**361**

Equipment				
Acquisition value at beginning of year	658	647	656	645
Acquisitions during the year	293	26	26	26
Sales/disposals during the year	-38	-15	-38	-15
Reclassifications	0	0	0	0
Acquisition value at end of year	**913**	**658**	**644**	**656**
Accumulated depreciation at beginning of year	-521	-492	-519	-491
Accumulated depreciation on sales/disposals during the year	37	13	35	13
Depreciations according to plan for the year	-69	-42	-38	-41
Accumulated depreciation at end of year	**-553**	**-521**	**-522**	**-519**
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	**356**	**133**	**118**	**133**

Land and buildings				
Acquisition value at beginning of year	401	279	399	277
Acquisitions during the year	386	130	244	130
Sales/disposals during the year	-12	-8	-11	-8
Acquisition value at end of year	**775**	**401**	**632**	**399**
Accumulated depreciation at beginning of year	-173	-132	-171	-130
Accumulated depreciation on sales/disposals during the year	12	4	12	4
Depreciation according to plan for the year	-48	-43	-48	-42
Reclassifications	0	-2	0	-3
Accumulated depreciation at end of year	**-209**	**-173**	**-207**	**-171**
Total	**566**	**228**	**425**	**228**

Note 23:
Leasing

Nordea as a lessor

Finance leases

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

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

	Group	
	31 Dec	31 Dec
NOKm	2014	2013
Gross investments	14,695	12,460
Less unearned finance income	–952	–144
Net investments in finance leases	**13,743**	**12,316**
Less unguaranteed residual values accruing to the benefit of the lessor	0	0
Present value of future minimum lease payments receivable	**13,743**	**12,316**
Accumulated allowance for uncollectible minimum lease payments receivable	0	0

As of 31 December 2014 the gross investment and the net investment by remaining maturity was distributed as follows:

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
	2014	2014	2013	2013
NOKm	Gross investment	Net investment	Gross investment	Net investment
2014	NA	NA	3,955	3,910
2015	5,135	4,702	3,398	3,359
2016	3,931	3,664	2,916	2,883
2017	3,341	3,204	1,211	1,196
2018	1,219	1,164	540	533
2019	545	521	NA	NA
Later years	524	488	440	435
Total	**14,695**	**13,743**	**12,460**	**12,316**
Less unearned future finance income on finance leases	–952	0	–144	0
Investment in finance leases	**13,743**	**13,743**	**12,316**	**12,316**

NA (not applicable)

Nordea as a lessee

Operating leases

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

	Group	
	31 Dec	31 Dec
Leasing expenses during the year, NOKm	2014	2013
Leasing expenses during the year	209	230
Of which		
– minimum lease payments	209	245
– contingent rents	0	–15
Leasing income during the year regarding sublease payments	0	0

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

	Group	Parent company	Group	Parent company
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2014	2013	2013
2014	NA	NA	160	188
2015	101	127	147	182
2016	76	137	73	134
2017	54	117	56	119
2018	38	103	46	110
2019	28	95	NA	NA
Later years	38	777	107	908
Total	**335**	**1,356**	**589**	**1,641**

NA (not applicable)

Note 24:
Investment property

Movement in the balance sheet	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Carrying amount at beginning of year	203	132	10	28
Acquisitions during the year	0	96	0	2
Sales/disposals during the year	–138	–20	–9	–20
Net result from fair value adjustments	0	–5	0	0
Carrying amount at end of year	**65**	**203**	**1**	**10**

Approximately 99% of the investment properties, appraisals were obtained from independent external valuers. For the remaining 1% of the investment properties, internal models based on a rate of return calculation are used. All the properties are located in in Norway. The main part relates to land.

Amounts recognised in the income statement

Net income from investment properties amounts to 6m (2m for the parent) of which 4m (0m for the parent) relates to net rental income and is included in Net result from items at fair value.

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

Note 25:
Other assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Claims on securities settlement proceeds	17,886	3,469	17,886	3,469
Other	904	939	788	904
Total	**18,790**	**4,408**	**18,674**	**4,373**

Note 26:
Prepaid expenses and accrued income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Accrued interest income	1,178	1,890	1,006	1,687
Other accrued income	33	28	33	29
Prepaid expenses	838	725	89	28
Total	**2,049**	**2,643**	**1,128**	**1,744**

Note 27:
Deposits by credit institutions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Central banks	4,500	19,049	4,500	19,049
Other banks	232,254	222,984	232,254	222,975
Other credit institutions	2,299	1,113	2,383	1,119
Total	**239,053**	**243,146**	**239,137**	**243,143**

Note 28:
Deposits and borrowings from the public

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Deposits	236,754	218,862	236,909	218,875
Total	**236,754**	**218,862**	**236,909**	**218,875**

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. Individual pension savings (IPS) are also included.

Note 29:
Debt securities in issue

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Bond loans	84,664	70,977	4,682	3,147
Total	**84,664**	**70,977**	**4,682**	**3,147**

Note 30:
Other liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Liabilities on securities settlement proceeds	17,723	2,693	17,723	2,693
Sold, not held, securities	2,197	1,523	2,197	1,523
Accounts payable	127	454	112	445
Other	3,837	3,856	3,832	3,850
Total	**23,884**	**8,526**	**23,864**	**8,511**

Note 31:
Accrued expenses and prepaid income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Accrued interest	93	902	93	464
Other accrued expenses	1,053	871	975	806
Prepaid income	754	699	4	1
Total	**1,900**	**2,472**	**1,072**	**1,271**

Note 32:
Provisions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Reserve for restructuring costs	148	67	147	66
Individually assessed, guarantees and other commitments	48	47	48	47
Other	0	7	0	6
Total	**196**	**121**	**195**	**119**

Group	Restructuring	Guarantees/ commitments	Other	Total
At beginning of year	67	47	7	121
New provisions made	128	19	0	147
Provisions utilised	-18	2	-7	-23
Reversals	-45	-20	0	-65
Reclassifications	16	0	0	16
At end of year	**148**	**48**	**0**	**196**

Parent company	Restructuring	Guarantees/ commitments	Other	Total
At beginning of year	66	47	6	119
New provisions made	127	19	0	146
Provisions utilised	-18	2	-6	-22
Reversals	-44	-20	0	-64
Reclassifications	16	0	0	16
At end of year	**147**	**48**	**0**	**195**

Provisions for restructuring costs amounts to NOK 148m and covers termination benefits (NOK 103m) and other provisions mainly related to redundant premises (NOK 45m). The restructuring activities have mainly been launched to reach the anticipated cost efficiency and profitability. As a part of this Nordea plans to reduce the number of employees, partly through close down of branches. The majority of the provision is expected to be used during 2015. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed.

Loan loss provisions for individually assessed, guarantees and other commitments amounted to NOK 48m (47m in 2013).

Note 33:
Retirement benefit obligations

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Defined benefit plans, net	2,360	1,129	2,286	1,098
Total	**2,360**	**1,129**	**2,286**	**1,098**

Nordea Bank Norge sponsors both defined contribution plans (DCP) and defined benefit plans (DBP).

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

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

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

IAS 19 pension calculations and assumptions

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

Assumptions[1]	2014	2013
Discount rate[2]	2.5%	4.0%
Salary increase	3.0%	3.0%
Inflation	1.8%	2.0%
Increase in income base amount	3.0%	4.0%
Expected return on assets before taxes	2.5%	4.0%
Expected adjustments of current pensions	2.0%	2.5%

[1] The assumptions disclosed for 2014 have an impact on the liability calculation by year-end 2014, while the assumptions disclosed for 2013 are used for calculating the pension expense in 2014.

[2] More information on the discount rate can be found in Note 1 Accounting policies, section 20 Employee benefits. The sensitivities to changes in the discount rate can be found below.

Sensitivities – Impact on Pension Benefit Obligation (PBO) %	2014
Discount rate – Increase 50bps	-6.9 %
Discount rate – Decrease 50bps	7.8 %
Salary increase – Increase 50bps	2.4 %
Salary increase – Decrease 50bps	-2.2 %
Inflation – Increase 50bps	6.3 %
Inflation – Decrease 50bps	-5.7 %
Mortality – Increase 1 year	-3.1 %
Mortality – Decrease 1 year	3.1 %

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach since the actuarial assumptions usually are correlated. However, it enables the reader to isolate one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements. Compared with the 2013 Annual Report there have been no changes in the methods used when preparing the sensitivity analyses.

NBN has implemented the GAP07/I73 demographic models developed by Gabler (external actuaries). These models address all variables needed for actuarial evaluations of pensions, including mortalities, and has been tested against updated mortality statistics in 2014. We consider the GAP07/I73 demographic models to be the most appropriate models for NBNs population.

Note 33:
Retirement benefit obligations cont.

Net retirement benefit liabilities/assets

	Group		Parent company	
NOKm	2014	2013	2014	2013
Obligations	7,582	6,155	7,402	6,033
Plan assets	5,222	5,026	5,116	4,935
Net liability(–)/asset(+)	**–2,360**	**–1,129**	**–2,286**	**–1,098**

Movements in the obligation

	Group		Parent company	
NOKm	2014	2013	2014	2013
Opening balance	6,155	6,266	6,033	6,155
Current service cost	115	117	109	111
Interest cost	233	234	229	230
Pensions paid	–278	–278	–275	–275
Past service cost[1]	125	–23	125	–23
Settlements	–7	–12	–7	–12
Remeasurement from changes in financial assumptions	1,160	0	1,119	0
Remeasurement from experience adjustments	–76	–87	–78	–89
Change in provision for social security contribution[2]	155	–62	147	–64
Closing balance	**7,582**	**6,155**	**7,402**	**6,033**

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

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

The average duration of the PBO is 14 years based on discounted cash flows. The fact that all DBPs are closed for new entrants leads to a lower duration.

Movements in the fair value of plan assets

	Group		Parent company	
NOKm	2014	2013	2014	2013
Opening balance	5,026	4,593	4,935	4,516
Interest income (calculated using the discount rate)	205	186	201	183
Pensions paid	–144	–142	–144	–141
Settlements	–5	–10	–5	–10
Contributions by employer	15	335	6	329
Remeasurement (actual return less interest income)	125	64	122	58
Closing balance	**5,222**	**5,026**	**5,115**	**4,935**

Asset composition

The combined return on assets in 2014 was 6.6% (5.4%) for the group and 6.5% (5.3%) for the parent, main drivers were positive returns on equities, credit investment and real estate whereas sovereign bonds subtracted from the result. At the end of the year the equity exposure in the foundation represented 28% (26%) of total assets.

Asset composition in funded schemes (%)	2014	2013
Bonds	56%	52%
– of which sovereign	44%	41%
– of which covered bonds	12%	11%
– of which corporate bonds	0%	0%
– of which issued by Nordea entities	0%	11%
– of which with quoted market price in an active market	56%	52%
Equity	28%	26%
– of which domestic	7%	7%
– of which european	9%	8%
– of which US	8%	7%
– of which emerging	4%	4%
Real estate	12%	14%
– of which occupied by Nordea	0%	0%
Cash and cash equivalents	4%	8%

[1] The geographical location of the real estate follows the geographical location of the relevant pension plan.

Note 33:
Retirement benefit obligations cont.

The NBN expects to contribute NOK 210m before social security contributions to its defined benefit plans in 2015 (NOK 200m for the parent company).

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the income statement (as staff costs) for the year is NOK303m (NOK 162m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note 8 Staff Costs).

	Group		Parent company	
Recognised in the income statement, NOKm	2014	2013	2014	2013
Current service cost	115	117	109	111
Net interest	28	48	28	47
Past service cost and settlements [1]	-2	-3	-2	-3
Recognised past service cost	125	-23	125	-23
Social security contribution	37	23	36	24
Pension cost on defined benefit plans	**303**	**162**	**296**	**156**

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

	Group		Parent company	
Recognised in other comprehensive income, NOKm	2014	2013	2014	2013
Remeasurement from changes in financial assumptions	1,160	0	1,119	0
Remeasurement from experience adjustments	-76	-87	-78	-89
Remeasurement of plan assets (actual return less interest income)	-125	-64	-122	-58
Social security contribution	135	-21	130	-21
Pension cost on defined benefit plans	**1,094**	**-172**	**1,049**	**-169**

Multiemployer plans

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 defined benefit plan that cannot be calculated as such, 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 defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

The new AFP plan gives the entitled employees a lifelong addition to regular pensions from the age of 62. Further, the new scheme allows the employees to continue working while receiving AFP without this affecting the pension rights. The plan is founded on the basis of a three party cooperation between employer organisations, employee organisations and the Norwegian government. The government covers one third of the pension expense to the AFP plan while the member companies collectively cover the remaining two thirds of the pension expense. The premium the member firms are paying to the plan is determined to be sufficient to cover on-going pension expenses as well as provide a basis for building up a pension fund. The purpose of the pension fund is to ensure sufficient ability to cover expected future pension obligations.

The premium rate for 2014 is 2,2% of the employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The premium is calculated based on the average wages- and average base amounts from the previous year, excluding employees over the age of 61. Total premiums paid in 2014 amounts to NOK 26m. Payments to the plan during 2014 covered 2,965 employees. The premium rate for 2015 will be 2.4% of the employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The expected premiums in 2015 amounts to NOK 28m.

The employees that meet the requirements for AFP are guaranteed AFP payments regardless of the solvency of their employers. As a result the, employer members have joint responsibility for two thirds of the payable pensions to the employees that at any given time meet the requirements for AFP. Any deficit or surplus on windup of the plan or entities' withdrawal from the plan will not have any impact on Nordea in the coming year.

Note 34:
Subordinated liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Dated subordinated debenture loans	2,607	2,122	2,607	2,122
Undated subordinated debenture loans	1,490	1,213	1,490	1,213
Hybrid capital loans	5,374	4,959	5,374	4,959
Total	**9,471**	**8,294**	**9,471**	**8,294**

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 434m (429) in 2014 (2013).

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 2014 are specified below.

Issued by	Year of issue / maturity	Nominal value	Book value NOKm	Interest rate (coupon)
Nordea Bank Norge ASA	1986 – Undated[1]	USD 200	1,490	Libor 6 month + 18.75 basis points
Nordea Bank Norge ASA	2008 – Undated[2]	USD 290	2,160	Libor 3 month + 450 basis points
Nordea Bank Norge ASA	2010 – 2020[3]	USD 350	2,607	Libor 3 month + 140 basis points
Nordea Bank Norge ASA	2011 – 2016[3]	NOK 3,200	3,214	Nibor 3 month + 758 basis points

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

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

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

Note 35:
Assets pledged as security for own liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Assets pledged for own liabilities				
Securities etc[1]	67,679	53,447	67,679	68,737
Loans to the public (Covered bonds)	103,284	107,742	0	0
Other pledged assets	44	40	44	40
Total	**171,007**	**161,229**	**67,723**	**68,777**
The above pledges pertain to the following liabilities				
Deposits by credit institutions	32,842	44,481	32,842	44,482
Deposits and borrowings from the public	33,371	23,179	33,372	23,179
Derivatives	73	52	73	52
Debt securities in issue	79,879	67,830	0	0
Total	**146,165**	**135,542**	**66,287**	**67,713**

[1] Relates only to securities recognised in the balance sheet. Securities borrowed or bought under repurchase agreements are not recognised in the balance sheet and thus not included in the amount. Such transactions are disclosed in Note 42 Transferred assets and obtained collaterals.

Assets pledged for own liabilities contains securities pledged as security in repurchase agreement and in securities lending. Counterparts in those transactions are credit institutions and the public. The transactions are typically short term with maturity within three months. Assets pledged related to clearing contains securities pledged for securities trading and clearing in NOS. Securities are also pledged for short-term loans with the Central Bank of Norway. Assets pledged related to loans to the public are mortgage loans that have been registered as collateral for issued covered bonds. In the event of the company´s insolvency, the holders of these bonds have priority to the assets registered as collateral. These transactions are long-term with maturity 2-5 years. (See note 46 Covered bonds for more information about covered bonds).

Note 36:
Contingent liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Guarantees				
Loan guarantees	1,774	1,776	6,587	5,810
Other guarantees	0	1	0	1
Total	**1,774**	**1,777**	**6,587**	**5,811**
Of which counter-guaranteed by:				
Other banks	0	0	0	0
Other credit institutions	0	0	0	0

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

Legal proceedings

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

Note 37:
Commitments

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Commitments[1]	120,159	113,076	112,241	123,635
Commitments excluding derivatives	**120,159**	**113,076**	**112,241**	**123,635**

[1] Including unutilised portion of approved facilities and loan commitments.

For further information about credit commitments see Note 1 Accounting policies section 22, About derivatives see Note 17 Derivatives and Hedge accounting and about reverse repos, see Note 42 Transferred assets and obtained collaterals.

Note 38:
Capital adequacy

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

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

The Basel III framework is built on three Pillars:

- Pillar I – requirements for the calculation of REA and capital requirements
- Pillar II – rules for the Supervisory Review Process (SRP) Including the Internal Capital Adequacy Assessment Process (ICAAP)
- Pillar III – rules for the disclosure on risk and capital management,including capital adequacy

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

The ICAAP is a continuous process which increases awareness of capital requirements and exposure to material risks throughout the organisation, both in the business area and legal entity dimensions. Stress tests are important drivers of risk awareness, looking at capital and risk from a firm-wide perspective on a regular basis and on an ad-hoc basis for specific areas or segments. The process includes a regular dialogue with supervisory authorities, rating agencies and other external stakeholders with respect to capital management, measurement and mitigation techniques used.

NBN's capital levels continue to be adequate to support the risks taken, both from an internal perspective as well as from the perspective of supervisors. Heading into 2015, Nordea will continue to closely follow the development of the new capital requirement regime as well as maintain its open dialogue with the supervisory authorities.

Transitional own funds disclosure

		Group		Parent company	
	Common Equity Tier 1 capital: instruments and reserves	A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013	A) AMOUNT AT DISCLOSURE DATE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
1	Capital instruments and the related share premium accounts	7,813		7,813	
	of which: Share capital	4,411		4,411	
2	Retained earnings	31,973		25,410	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	371		290	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	4,963		3,762	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	45,120		37,274	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-54		-54	
8	Intangible assets (net of related tax liability) (negative amount)	-149		-85	
11	Fair value reserves related to gains or losses on cash flow hedges	-88		11	
12	Negative amounts resulting from the calculation of expected loss amounts	-63	0	0	0
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0		0	
15	Defined-benefit pension fund assets (negative amount)	0	0	0	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0			
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-214	77	-214	77
	Of which: ... filter for unrealised gain 1	-214	77	-214	77
	Of which: ... filter for unrealised loss 1	0	13	0	13
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	-569		-343	
29	**Common Equity Tier 1 (CET1) capital**	44,552		36,931	

Note 38:

Capital adequacy cont.

		Group		Parent company	
Additional Tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	3,200		3,200	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	1,987	172	1,987	172
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	5,187		5,187	
Additional Tier 1 (AT1) capital: regulatory adjustments					
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)				
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013			0	0
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	0	0	0	0
44	**Additional Tier 1 (AT1) capital**	5,187		5,187	
45	**Tier 1 capital (T1 = CET1 + AT1)**	49,739		42,119	
Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	4,096		4,096	
51	**Tier 2 (T2) capital before regulatory adjustments**	4,096		4,096	
Tier 2 (T2) capital: regulatory adjustments					
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	77		77	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	77		77	
58	**Tier 2 (T2) capital**	4,173		4,173	
59	**Total capital (TC = T1 + T2)**	53,912		46,292	
60	**Total risk weighted assets**	351,075		303,717	
Capital ratios and buffers					
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	12.7%		12.2%	
62	Tier 1 (as a percentage of risk exposure amount)	14.2%		13.9%	
63	Total capital (as a percentage of risk exposure amount)	15.4%		15.2%	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	5.5%		5.5%	
65	of which: capital conservation buffer requirement	2.5%		2.5%	
66	of which: countercyclical buffer requirement	0.0%		0.0%	
67	of which: systemic risk buffer requirement	3.0%		3.0%	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.0%		0.0%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	12.6%		11.0%	
Amounts below the thresholds for deduction (before risk weighting)					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0		0	
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,495			
Applicable caps on the inclusion of provisions in Tier 2					
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	161,051		140,723	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	966		844	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)					
82	Current cap on AT1 instruments subject to phase out arrangements	1,987		1,987	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-172		-172	
84	Current cap on T2 instruments subject to phase out arrangements	0		0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-172		-172	

Note 38:
Capital adequacy cont.

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

Eligible capital and eligible reserves
Paid up capital is the share capital contributed by shareholders, including the share premium paid. Eligible reserves consist primarily of retained earnings, other reserves and income from current year. Retained earnings are earnings from previous years reported via the income statement. Other reserves are related to revaluation and translation reserves referred to acquisitions and associated companies under the equity method. The equity interests of minority shareholdings in companies that are fully consolidated in the financial group are not included. Positive income from current year is included as eligible capital after verification by the external auditors; however negative income must be deducted. Repurchased own shares or own shares temporary included in trading portfolios are deducted from eligible reserves.

Additional Tier 1 instruments
The inclusion of undated subordinated loans in additional Tier 1 capital is restricted and repurchase can normally not take place until five years after original issuance of the instrument. Undated subordinated loans may be repaid only upon decision by the Board of Directors in Nordea Bank Norway and with the permission of the Norwegian FSA. Further, there are restrictions related to step-up conditions, order of priority, and interest payments under constraint conditions. Additional Tier 1 instruments issued that fulfil the regulatory requirements are fully included whereas remaining instruments are phased out according to transitional rules.

For the additional Tier 1 instruments, conditions specify appropriation in order to avoid being obliged to enter into liquidation. To the extent that may be required to avoid liquidation, the principal amounts of additional Tier 1 instruments (together with accrued interest) would be written down and converting such amount into a conditional capital contribution.

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

Tier 2 instruments
Tier 2 instruments consist mainly of subordinated debt. Tier 2 instruments include two different types of subordinated loan capital; undated loans and dated loans. Tier 2 instruments issued that fulfil the regulatory requirements are fully included whereas remaining instruments are phased out according to transitional rules.

The basic principle for subordinated debt in own funds is the order of priority in case of a default or bankruptcy situation. Under such conditions, the holder of the subordinated loan would be repaid after other creditors, but before shareholders. The share of outstanding loan amount possible to include in the Tier 2 capital related to dated loans is reduced if the remaining maturity is less than five years

Note 38:
Capital adequacy cont.

Minimum capital requirement and REA

	Group				Parent company			
	31 Dec 2014	31 Dec 2014	31 Dec 2013	31 Dec 2013	31 Dec 2014	31 Dec 2014	31 Dec 2013	31 Dec 2013
NOKm	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	**14,373**	**179,658**	**16,170**	**202,128**	**14,223**	**177,784**	**16,439**	**205,492**
– of which counterparty credit risk	251	3,141	92	1,156	203	2,542	83	1,035
IRB	12,884	161,051	14,827	185,342	11,258	140,723	13,515	168,941
– of which corporate	9,849	123,108	12,484	156,051	9,303	116,288	11,996	149,948
– of which advanced	9,309	116,355	0	0	9,301	116,268	0	0
– of which foundation	540	6,753	12,484	156,051	2	20	11,996	149,948
– of which institutions	333	4,168	308	3,851	333	4,164	308	3,851
– of which retail	2,498	31,227	1,862	23,276	1,518	18,972	1,123	14,032
– of which secured by immovable property collateral	1,816	22,699	1,246	15,570	915	11,434	593	7,407
– of which other retail	682	8,528	616	7,706	603	7,538	530	6,625
– of which other	204	2,548	173	2,164	104	1,299	89	1,110
Standardised	1,489	18,607	1,343	16,786	2,965	37,061	2,924	36,551
– of which central governments or central banks	0	0	0	1	0	0	0	1
– of which regional governments or local authorities	15	190	14	172	13	168	11	140
– of which public sector entities	0	0	0	0	0	0	0	0
– of which multilateral development banks	0	0	0	0	0	0	0	0
– of which international organisations	0	0	0	0	0	0	0	0
– of which institutions	755	9,441	599	7,491	2,365	29,564	2,240	28,001
– of which corporate	4	54	66	822	0	0	69	862
– of which retail	484	6,048	573	7,159	0	0	0	0
– of which secured by mortgages on immovable property			0	0	0	0	0	4
– of which in default	5	63	20	249	0	0	0	0
– of which associated with particularly high risk	0	0	0	0	0	0	0	0
– of which covered bonds	0	0	0	0	80	1,000	160	2,000
– of which institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0
– of which collective investments undertakings (CIU)	0	0	0	0	0	0	0	0
– of which equity	9	106	0	0	506	6,321	0	0
– of which other items	217	2,705	71	894	1	8	443	5,544
Credit Value Adjustment Risk	**35**	**436**			**35**	**436**		
Market risk	**276**	**3,447**	**179**	**2,237**	**240**	**3,004**	**143**	**1,793**
– of which trading book, Internal Approach	218	2,719	94	1,180	217	2,719	94	1,180
– of which trading book, Standardised Approach	58	728	85	1,057	23	285	49	613
Operational risk	**1,744**	**21,806**	**1,677**	**20,957**	**1,436**	**17,951**	**1,452**	**18,151**
Standardised	1,744	21,806	1,677	20,957	1,436	17,951	1,452	18,151
Sub total	**16,428**	**205,347**	**18,026**	**225,322**	**15,934**	**199,175**	**18,035**	**225,435**
Adjustment for Basel I floor								
Additional capital requirement according to Basel I floor[1]	11,658	145,728	7683	96,043	8,363	104,542	3,887	48,589
Total	**28,086**	**351,075**	**25,709**	**321,366**	**24,297**	**303,717**	**21,922**	**274,024**

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

Analysis of capital requirements	Group		Parent company	
Exposure class	Average risk weight (%)	Capital requirement[1]	Average risk weight (%)	Capital requirement[1]
Corporate IRB	43	9,849	43	9,303
Institutions IRB	9	333	8	333
Retail IRB	13	2,498	15	1,518
Sovereign	0	15	0	13
Other	35	1,677	22	3,055
Total credit risk	**26**	**14,373**	**27**	**14,223**

[1] 8% minimum capital requirement., NOKm

Note 38:
Capital adequacy cont.

Capital adequacy ratios	Group		Parent company	
	2014	**2013**	**2014**	**2013**
Excl. Basel 1 floor				
CET1 capital ratio (%)	21.7%	17.8%	18.5%	14.9%
Tier 1 capital ratio (%)	24.2%	20.0%	21.1%	17.1%
Total capital ratio (%)	26.3%	21.3%	23.2%	18.5%
Capital adequacy quotient (own funds/capital requirement)	3.3	2.7	2.9	2.3
Incl. Basel 1 floor				
CET1 capital ratio (%)	12.7%	12.5%	12.2%	12.2%
Tier 1 capital ratio (%)	14.2%	14.0%	13.9%	14.1%
Total capital ratio (%)	15.4%	15.0%	15.2%	15.2%
Capital adequacy quotient (own funds/capital requirement)	1.9	1.9	1.9	1.9

Capital requirements for market risk, 31 December 2014

Group

	Trading book, IM		**Trading book, SA**		**Banking book, SA**		**Total**	
NOKm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk[1]	252	20	583	47			835	67
Equity risk	534	43	144	12			679	54
Foreign exchange risk	19	2					19	2
Commodity risk							0	0
Settlement risk							0	0
Diversification effect	-199	-16					-199	-16
Stressed Value-at-Risk	2,112	169					2,112	169
Incremental Risk Measure	0	0					0	0
Comprehensive Risk Measure	0	0					0	0
Total	**2,719**	**218**	**728**	**58**	**0**	**0**	**3,447**	**276**

[1] Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

Parent company

	Trading book, IM		**Trading book, SA**		**Banking book, SA**		**Total**	
NOKm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk[1]	252	20	141	11			393	31
Equity risk	534	43	144	12			679	54
Foreign exchange risk	19	2					19	2
Commodity risk							0	0
Settlement risk							0	0
Diversification effect	-199	-16					-199	-16
Stressed Value-at-Risk	2,112	169					2,112	169
Incremental Risk Measure	0	0					0	0
Comprehensive Risk Measure	0	0					0	0
Total	**2,719**	**218**	**285**	**23**	**0**	**0**	**3,004**	**240**

[1] Interest rate risk column Trading book IA includes both general and specific interest rate risk which is elsewhere referred to as interest rate VaR and credit spread VaR.

Leverage ratio[1]

	Group 31 Dec 2014	**Parent company 31 Dec 2014**
Tier 1 capital, transitional definition, NOKm[2]	49,739	42,119
Leverage ratio exposure, NOKm	781,048	758,597
Leverage ratio, percentage	6.4	5.6

[1] Leverage ratio and volumes presented are based on three month average according to local FSA reporting requirements.

[2] Including profit of the period.

Note 39:

Classification of financial instruments

Group

NOKm, 31 Dec 2014	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	2,499							2,499
Loans to central banks and credit institutions[1]	17,233		630					17,863
Loans to the public[1]	492,087		7,835					499,922
Interest-bearing securities[1]		5,887	47,996			37,691		91,574
Financial instruments pledged as collateral			1,392					1,392
Shares[2]			405	2		36		443
Derivatives			6,084		5,867			11,951
Fair value changes of the hedged items in portfolio hedge of interest rate risk	626							626
Investments in associated undertakings							1,495	1,495
Intangible assets							149	149
Properties and equipment							922	922
Investment properties							65	65
Retirement benefit assets								0
Other assets	18,034						756	18,790
Prepaid expenses and accrued income	1,982		33				34	2,049
Total	**532,461**	**5,887**	**64,375**	**2**	**5,867**	**37,727**	**3,421**	**649,740**

[1] In the parent company Nordea Bank Norge ASA Loans to credit institutions, Loans to the public and Interest bearing securities are NOK 54,138m, NOK 362,445m, NOK 102,734m respectively at year-end. The change from NBN group figures relates mainly to the wholly owned subsidiaries Nordea Eiendomskreditt AS (NE) and Nordea Finans Norge AS (NFN). NE's and NFN's loans in NBN ASA are classified as Loans to credit institutions in the parent company, while the loans are eliminated in the group figures. This increases Loans to the public in the above disclosed NBN group figures. There are insignificant changes between NBN ASA and NBN Group on the other lines and therefore no separate disclosure is made for the parent company.

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

Group

NOKm, 31 Dec 2014	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	7,978			231,075		239,053
Deposits and borrowings from the public	214			236,540		236,754
Debt securities in issue				84,664		84,664
Derivatives	491		1,241			1,732
Fair value changes of the hedged items in portfolio hedge of interest rate risk				1,816		1,816
Current tax liabilities					1,214	1,214
Other liabilities	2,197			17,755	3,932	23,884
Accrued expenses and prepaid income	85			763	1,052	1,900
Deferred tax liabilities					1,576	1,576
Provisions					196	196
Retirement benefit obligations					2,360	2,360
Subordinated liabilities				9,471		9,471
Total	**10,965**	**0**	**1,241**	**582,084**	**10,330**	**604,620**

Note 39:

Classification of financial instruments cont.

Group

NOKm, 31 Dec 2013	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets	Total
Assets								
Cash and balances with central banks	2,600							2,600
Loans to central banks and credit institutions[1]	31,089		1,766	221				33,076
Loans to the public[1]	462,769			3				462,772
Interest-bearing securities[1]		6,320	44,584	1		32,002		82,907
Financial instruments pledged as collateral			1,024					1,024
Shares[2]			551			21		572
Derivatives			2,584		2,606			5,190
Fair value changes of the hedged items in portfolio hedge of interest rate risk	436							436
Investments in associated undertakings							1,553	1,553
Intangible assets							375	375
Properties and equipment							361	361
Investment properties							203	203
Other assets	3,632						776	4,408
Prepaid expenses and accrued income	2,425		190				28	2,643
Total	**502,951**	**6,320**	**50,699**	**225**	**2,606**	**32,023**	**3,296**	**598,120**

[1] In the parent company Nordea Bank Norge ASA Loans to credit institutions, Loans to the public and Interest bearing securities are NOK 70,555m, NOK 326,194m, NOK 104,067m respectively at year-end. The change from NBN group figures relates mainly to the wholly owned subsidiaries Nordea Eiendomskreditt AS (NE) and Nordea Finans Norge AS (NFN). NE's and NFN's loans in NBN ASA are classified as Loans to credit institutions in the parent company, while the loans are eliminated in the group figures. This increases Loans to the public in the above disclosed NBN group figures. There are insignificant changes between NBN ASA and NBN Group on the other lines and therefore no separate disclosure is made for the parent company.

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

Group

NOKm, 31 Dec 2013	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	808	713		241,625		243,146
Deposits and borrowings from the public				218,862		218,862
Debt securities in issue				70,977		70,977
Derivatives	469		1,039			1,508
Fair value changes of the hedged items in portfolio hedge of interest rate risk				747		747
Current tax liabilities					601	601
Other liabilities	1,523			3,101	3,902	8,526
Accrued expenses and prepaid income	246			1,355	871	2,472
Deferred tax liabilities					962	962
Provisions					121	121
Retirement benefit obligations					1,129	1,129
Subordinated liabilities				8,294		8,294
Total	**3,046**	**713**	**1,039**	**544,961**	**7,586**	**557,345**

Note 40:
Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2014		31 Dec 2013	
NOKm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	2,499	2,499	2,600	2,600
Loans	518,411	523,345	496,284	496,284
Interest-bearing securities	91,574	91,626	82,907	82,949
Financial instruments pledged as collateral	1,392	1,392	1,024	1,024
Shares	443	443	571	571
Derivatives	11,951	11,951	5,190	5,190
Other assets	18,034	18,034	3,632	3,632
Prepaid expenses and accrued income	2,015	2,015	2,615	2,615
Total financial assets	**646,319**	**651,305**	**594,823**	**594,865**
Financial liabilities				
Deposits and debt instruments	571,758	573,146	542,026	538,372
Derivatives	1,732	1,732	1,508	1,508
Other liabilities	19,952	19,952	4,624	4,624
Accrued expenses and prepaid income	848	848	1,601	1,601
Total financial liabilities	**594,290**	**595,678**	**549,759**	**546,105**

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

Assets and liabilities at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2014, NOKm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to central bank and credit institutions		630		630
Loans to the public		7,835		7,835
Interest-bearing securities[2]	30,662	56,141		86,803
Shares[3]	539		179	718
Derivatives	7	11,944		11,951
Investment properties			65	65
Prepaid expenses and accrued income		34		34
Total	31,208	76,584	244	108,036
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions		7,978		7,978
Deposits and borrowings from the public		214		214
Derivatives	10	1,721		1,731
Other liabilities	2,197			2,197
Accrued expenses and prepaid income		85		85
Total	2,207	9,998	0	12,205

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

[2] Of which NOK 1,117m relates to the balance sheet item Financial instruments pledged as collateral.

[3] Of which NOK 275m relates to the balance sheet item Financial instruments pledged as collateral.

Note 40:
Assets and liabilities at fair value cont.

31 Dec 2013, NOKm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to central bank and credit institutions		1,987		1,987
Loans to the public		4		4
Interest-bearing securities[2]	36,339	41,014		77,353
Shares[3]	697		133	830
Derivatives	1	5,188		5,189
Investment properties			203	203
Prepaid expenses and accrued income		189		189
Total	37,037	48,382	336	85,755
Liabilities at fair value on the balance sheet[1]				
Deposits and borrowings from the public		1,520		1,520
Derivatives	8	1,500		1,508
Other liabilities		1,523		1,523
Accrued expenses and prepaid income		246		246
Total	8	4,789	0	4,797

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

[2] Of which NOK 766m relates to the balance sheet item Financial instruments pledged as collateral.

[3] Of which NOK 258m relates to the balance sheet item Financial instruments pledged as collateral.

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

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

Level 1 in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. This category includes listed derivatives, listed equities, government bonds in developed countries, and most liquid mortgage bonds and corporate bonds where direct tradable price quotes exist.

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

Level 3 in the fair value hierarchy consists of those types of assets and liabilities which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for investments in unlisted securities, private equity funds and hedge funds. This is generally also the case for more complex OTC derivatives, including OTC derivatives where less active markets supply input to the valuation techniques or models, certain complex or structured financial instruments such as CLNs and CDOs, and illiquid interest bearing securities. Complex valuation models are generally characterised by the use of unobservable and model specific parameters.

All valuation models, both complex and simple models, make use of market parameters. These parameters comprise interest rates, volatilities, correlations etc. Some of these parameters are observable while others are not. For non-exotic currencies the interest rates are all observable, and the volatilities and the correlations of the interest rates and FX rates are observable up to a certain maturity. Volatilities and correlations are also observable for the most liquid equity instruments in the short end. For less liquid equity instruments, the option market is fairly illiquid, and hence the volatilities and correlations are unobservable. For each instrument the sensitivity towards unobservable parameters is measured. If the impact from unobservable parameters on the valuation is significant the instrument is categorised in Level 3 in the fair value hierarchy.

For interest-bearing securities the categorisation into the three levels are based on the internal pricing methodology. These instruments can either be directly quoted in active markets (Level 1) or measured using a methodology giving a quote based on observable inputs (Level 2). Level 3 bonds are characterised by illiquidity.

Note 40:
Assets and liabilities at fair value cont.

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

An important part of the portfolio adjustment relates to counterparty risk in OTC-derivatives. The adjustment 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. Nordea also takes into account Nordea´s credit spread in the valuation of derivatives (DVA).

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

Transfers between Level 1 and 2

During the period, NBN transferred interest-bearing securities (including such financial instruments pledged as collateral) of NOK 413m (1,049m) from Level 1 to Level 2 and NOK 324m (177m) from Level 2 to Level 1 of the fair value hierarchy. The reason for the transfers from Level 1 to Level 2 was that the instruments ceased to be actively traded during the year and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have been actively traded during the year and reliable qouted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the reporting period.

Movements in Level 3

			Fair value gains/losses recognised in the income statement during the year								
31 Dec 2014, NOKm	1 Jan 2014	Reclassifi-cation	Realised	Unrealised	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Translation differences	31 Dec 2014
Shares	133			24	16	0				6	179

			Fair value gains/losses recognised in the income statement during the year								
31 Dec 2013, NOKm	1 Jan 2013	Reclassifi-cation	Realised	Unrealised	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Translation differences	31 Dec 2013
Shares	124			3	1	-2				7	133

Unrealised gains and losses relates to those assets and liabilities held at the end of the reporting period. During the period NBN Group had no transfers from level 1 and level 2 to level 3 of the fair value hierarchy. Fair value gains and losses in the income statement during the year are included in Net result from items at fair value, see Note 5 Net result from items at fair value. For movements in level 3 for investment properties see Note 24 Investment property.

Valuation techniques and inputs used in the fair value measurements in Level 3

31 Dec 2014, NOKm	Fair value	Valuation techniques
Unlisted Shares	179	Discounted cash flow/net asset value
Total	**179**	

Note 40:
Assets and liabilities at fair value cont.

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

31 Dec 2014, NOKm	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet			
Cash and balances with central banks	2,499	2,499	1
Loans	509,946	523,345	3
Interest bearing-securities	5,887	5,940	2
Other assets	18,034	18,034	3
Prepaid expenses and accrued income	1,982	1,982	3
Total	**538,348**	**551,800**	
Liabilities not held at fair value on the balance sheet			
Deposits and debt instruments	563,566	564,954	3
Other liabilities	17,755	17,755	3
Accrued expenses and prepaid income	763	763	3
Total	**582,084**	**583,472**	

Cash and balances with central banks

The fair value equals the carrying amount. The fair value is based on quoted prices in active markets for relevant currencies and therefore the fair value measurement is categorised into Level 1 in the fair value hierarchy.

Loans

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

For the comparative figures 2013 the fair value have been calculated as the carrying amount adjusted for fair value changes in interest rate risk. The fair value changes related to interest rate risk is based on changes in relevant interest rates compared with corresponding nominal interest rates in the portfolios. No adjustment has been made for changes in fair value of credit risk.

The fair value measurement is categorised into Level 3 in the fair value hierarchy.

Interest bearing-securities

Interest bearing securitites not held at fair value are categorised in level 2. The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

Other assets and prepaid expenses and accrued income

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

Deposits and debt instruments

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

Other liabilities and accrued expenses and prepaid income

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

Note 41:

Financial instruments set off on balance or subject to netting agreements

31 Dec 2014, NOKm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet [2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	11,916	-51	11,865	-1,044	0	-2,781	8,040
Reverse repurchase agreements	8,107	0	8,107	0	-8,107	0	0
Securities borrowing agreements	358	0	358	0	-358	0	0
Total	**20,381**	**-51**	**20,330**	**-1,044**	**-8,465**	**-2,781**	**8,040**

31 Dec 2014, NOKm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet [2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	1,338	-51	1,287	-1,044	0	-217	26
Repurchase agreements	7,780	0	7,780	0	-7,780	0	0
Securities lending agreements	412	0	412	0	-412	0	0
Total	**9,530**	**-51**	**9,479**	**-1,044**	**-8,192**	**-217**	**26**

[1] All amounts are measured at fair value.

[2] Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institutions or as Deposits and borrowings from the public.

31 Dec 2013, NOKm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet [2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	5,157	-38	5,119	-1,026	0	-1,285	2,808
Reverse repurchase agreements	1,766	0	1,766	0	-1,766	0	0
Securities borrowing agreements	358	0	358	0	-358	0	0
Total	**7,281**	**-38**	**7,243**	**-1,026**	**-2,124**	**-1,285**	**2,808**

31 Dec 2013, NOKm	Gross recog-nised financial liabilities[1]	Gross recog-nised financial assets set off on the balance sheet	Net carrying amount on the balance sheet [2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instru-ments	Financial col-lateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	1,241	-38	1,203	-1,026	0	-155	22
Repurchase agreements	808	0	808	0	-808	0	0
Securities lending agreements	702	0	702	0	-702	0	0
Total	**2,751**	**-38**	**2,713**	**-1,026**	**-1,510**	**-155**	**22**

[1] All amounts are measured at fair value.

[2] Reverse repurchase agreements and Securities borrowing agreements are on the balance sheet classified as Loans to central banks, Loans to credit institutions or Loans to the public. Repurchase agreements and Securities lending agreements are on the balance sheet classified as Deposits by credit institutions or as Deposits and borrowings from the public.

Enforcable master netting arrangements and similar agreements

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

For a describtion of counterparty risk see section Risk, Liquidity and Capital management, counterparty credit risk, in the Board of Directors' report.

Note 42:
Transferred assets and obtained collaterals

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

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

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

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

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

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

	Group		Parent	
NOKm	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Repurchase agreements				
Interest-bearing securities	1,117	766	1,117	16,055
Securities lending agreements				
Shares	275	258	275	258
Total	**1,392**	**1,024**	**1,392**	**16,313**

Liabilities associated with the assets

NOKm	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Repurchase agreements				
Deposits by credit institutions	1,117	808	1,117	16,097
Securities lending agreements				
Deposits by credit institutions	275	702	275	702
Total	**1,392**	**1,510**	**1,392**	**16,799**
Net	**0**	**-486**	**0**	**-486**

Obtained collaterals which are permitted to be sold or repledged

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

	Group		Parent	
NOKm	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Reverse repurchase agreements				
Received collaterals which can be repledged or sold	8,107	1,766	8,107	1,766
- of which repledged or sold	0	0	0	0
Securities borrowing agreements				
Received collaterals which can be repledged or sold	2,142	2,607	2,142	2,607
- of which repledged or sold	2,142	2,607	2,142	2,607
Total	**10,249**	**4,373**	**10,249**	**4,373**

Note 43:

Maturity analysis for assets and liabilities

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

Contractual undiscounted cash flows

31 Dec 2014, NOKm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Interest-bearing financial assets	15,420	51,400	59,646	290,071	334,539	751,076
Non interest-bearing financial assets	0	0	0	0	33,069	33,069
Non-financial assets	0	0	0	0	3,421	3,421
Total assets	**15,420**	**51,400**	**59,646**	**290,071**	**371,029**	**787,566**
Interest-bearing financial liabilities	242,649	77,778	98,025	127,547	41,207	587,206
Non interest-bearing financial liabilities	0	0	0	0	24,348	24,348
Non-financial liabilities and equity	0	0	0	0	55,450	55,450
Total liabilities and equity	**242,649**	**77,778**	**98,025**	**127,547**	**121,005**	**667,004**
Derivatives, cash inflow	0	117,517	2,793	31,432	12,970	164,712
Derivatives, cash outflow	0	111,946	3,333	33,560	12,486	161,325
Net exposure	**0**	**5,571**	**-540**	**-2,128**	**484**	**3,387**
Exposure	**-227,229**	**-20,807**	**-38,919**	**160,396**	**250,508**	**123,949**
Cumulative exposure	**-227,229**	**-248,036**	**-286,955**	**-126,559**	**123,949**	

The table is based on contractual maturities for on balance sheet financial instruments. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the on balance sheet and derivative instruments, Nordea has credit commitments amounting to NOK 120 159m (113 076), which could be drawn on at any time. Nordea has also issued guarantees of NOK 1 774m (1 777) which may lead to future cash outflows if certain events occur.

Contractual undiscounted cash flows

31 Dec 2013, NOKm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Interest-bearing financial assets	15,698	68,962	44,092	287,118	322,059	737,929
Non interest-bearing financial assets	0	0	0	0	12,445	12,445
Non-financial assets	0	0	0	0	3,296	3,296
Total assets	**15,698**	**68,962**	**44,092**	**287,118**	**337,800**	**753,670**
Interest-bearing financial liabilities	216,874	100,015	48,692	155,989	34,648	556,218
Non interest-bearing financial liabilities	0	0	0	0	8,480	8,480
Non-financial liabilities and equity	0	0	0	0	48,361	48,361
Total liabilities and equity	**216,874**	**100,015**	**48,692**	**155,989**	**91,489**	**613,059**
Derivatives, cash inflow	0	163,248	30,085	18,356	2,277	213,966
Derivatives, cash outflow	0	161,400	30,352	19,479	2,476	213,707
Net exposure	**0**	**1,848**	**-267**	**-1,123**	**-199**	**259**
Exposure	**-201,176**	**-29,205**	**-4,867**	**130,006**	**246,112**	**140,870**
Cumulative exposure	**-201,176**	**-230,381**	**-235,248**	**-105,242**	**140,870**	

The table is based on contractual maturities for on balance sheet financial instruments. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the on balance sheet and derivative instruments, Nordea has credit commitments amounting to NOK 113 076m (102 527), which could be drawn on at any time. Nordea has also issued guarantees of NOK 1 777m (1 801) which may lead to future cash outflows if certain events occur.

Note 44:
Related-party transactions

Group	Associated undertakings		Other related parties[1,2]	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2014	2013	2014	2013
Assets				
Loans	1	1	15,903	19,328
Derivatives	0	0	8,281	3,263
Other assets	0	0	111	66
Total assets	**1**	**1**	**24,295**	**22,657**
Liabilities				
Deposits	37	526	222,107	208,612
Debt securities in issue	0	0	523	414
Derivatives	0	0	344	502
Subordinated liabilities	0	0	7,981	7,081
Other liabilities	0	0	1,096	1,285
Total liabilities	**37**	**526**	**232,051**	**217,894**

	Associated undertakings		Other related parties[1,2]	
NOKm	2014	2013	2014	2013
Net interest income	-4	-6	-3,046	-1,861
Net fee and commission income	19	13	510	460
Net result from items at fair value	0	0	323	2,236
Other operating income	0	0	37	38
Total operating expenses	0	0	-661	-572
Profit before loan losses	**15**	**7**	**-2,837**	**301**

[1]Companies significantly influenced by key management personnel in NBN as well as companies significantly influenced by close family members to these key management personnel are considered to be related parties to NBN. Transactions with related companies are made in NBN and the related companies' ordinary course of business and on the same criteria and terms as those for comparable transactions with companies of similar standing. They did not involve more than normal risk-taking. The transactions are therefore not included in the table. NBN has a customer relationship with a related company, Skjeberg Investment AS, where Nina Iversen, a member of the Board of Representatives, has significant influence. NBN also has customer relationships with the subsidiaries of Skjeberg Investment AS, Glomma Papp AS. Skjeberg Investment AS has deposits of 8.5m at year end 2014. Interest paid during 2014 amounts to 0.09m. Glomma Papp AS has a deposit of 32.5m at year end 2014. Interest paid during 2014 amounts to 0.6m. Interest income amounts to 0.03m. NBN also has customer relationships with the related companies Ringkøb Eiendom AS and Ringkøb Invest AS, where Peter Groth, a member of the Board of Representatives, has significant influence. Loans to Ringkøb Eiendom AS amounted to NOK 11.9m at year end 2014 and interest income totals NOK 0.5m in 2014. Depoists at year end 2014 amounts to 1.6m and interest paid during 2014 amounts to 0.02m. Ringkøb Invest AS has a deposit of 11.4m and interest paid during 2014 amounts to 0.2m. NBN also has customer relationships with the related companies Fenistra Holding AS, a company where CEO Gunn Wærsted together with her spouse Knut Balchen, has indirect significant influence through the company Lukris Invest AS. The depoists from Lukris AS at year end 2014 amounts to 0.02m. Fenistra Holding AS has a deposit of 2.5m at year end 2014 and interest paid during 2014 amounts to 0.04m. Further NBN has a customer relationship with Ferd AS, where John Giverholt, a member of the Board of Representatives, is Chief Executive Officer. Deposits from Ferd AS amounted to NOK 1 356m at year end 2014 and interest paid to Ferd AS totals NOK 11m during the year. Loans to Ferd AS at year end 2014 amounted to NOK 766m and interest income during 2014 from Ferd AS amounted to NOK 2.9m.

[2]Prior year has been restated in order to align with the current year presentation.

Nordea Bank ASA has issued an equity guarantee limited to MSEK 610 in favour of a related party. The equity guarantee is time limited to the sooner of the Annual General Meeting of the related party for calendar year 2015, or Nordea no longer holding an equity interest in the party.

Nordea Bank Norge ASA will receive a group contribution from the wholly owned subsidiary Nordea Eiendomskreditt AS. See Note 19 for more information.

Nordea Bank Norge ASA holds a 23,21% share in Eksportfinans ASA. Eksportfinans is an associated company accounted for under the equity method, and a related party to Nordea. In order to provide the company with sufficient liquidity buffers Eksportfinans' three major owner banks extended a committed credit line of USD 4bn. The facility had a 12 month maturity with the possibility of extension. The facility has been extended each year since 2009 with latest extension in 2014. The limit for the credit line was adjusted to USD 1bn in 2014. Nordea Bank Norge ASA's has a 32,55% share in the agreement equal to USD 325m. Eksportfinans has not yet utilized this credit facility.

Nordea Liv administers NBN's DCP pension plan, see Note 33 Retirement benefit obligations. NBN paid a total of NOK 26m (25m) in premiums to Nordea Liv in 2014.

Note 44:
Related-party transactions cont.

Parent company	Group undertakings 31 Dec		Associated undertakings 31 Dec		Nordea Norge Pension Foundation 31 Dec	
NOKm	2014	2013	2014	2013	2014	2013
Assets						
Loans	36,280	37,681	1	0	0	0
Interest-bearing securities	11,160	21,160	0	0	0	0
Derivatives	364	402	0	0	0	0
Other assets	1	13	0	0	0	0
Prepaid expenses and accrued income	20	20	0	0	0	0
Total assets	**47,824**	**59,276**	**1**	**0**	**0**	**0**
Liabilities						
Deposits	282	30	37	240	32	32
Derivatives	4,734	2,520	0	0	0	0
Total liabilities	**5,016**	**2,550**	**37**	**240**	**32**	**32**
Off balance						
Contingent liabilities	4,813	4,034		1	0	0
Credit commitment			2,425			

Parent company	Group undertakings 31 Dec		Associated undertakings 31 Dec		Nordea Norge Pension Foundation 31 Dec	
NOKm	2014	2013	2014	2013	2014	2013
Net interest income	707	592	-4	-3	0	-2
Net fee and commission income	3	0	19	0	0	0
Net result from items at fair value	-1,051	100	0	0	0	0
Other operating income	171	173	0	0	0	0
Total operating expenses	-42	-41	0	0	0	0
Profit before loan losses	**-212**	**824**	**15**	**-3**	**0**	**-2**

Compensations to Key Management personnel

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

Note 45:
Credit risk disclosures

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital management section of the Board of Directors´ Report. Additional information on credit risk is also disclosed in the Capital and Risk management Report (Pillar III) 2014, which is available on www.nordea. com. Much of the information in this note is collected from the Pillar III report in order to fulfil the disclosure requirement regarding credit risk in the Annual report.

The Pillar III report contains the disclosures required by the Capital Requirements Regulation (CRR). The Pillar III disclosure is aligned to how Nordea manages credit risk and is believed to be the best way to explain the credit risk exposures in Nordea. Credit risk exposures occur in different forms and are divided into the following types:

Exposure types, NOKm	31 Dec 2014	31 Dec 2013
On-balance sheet items	611,588	589,687
Off-balance sheet items	60,391	73,112
Securities financing	181	417
Derivatives	15,791	6,867
Exposure At Default (EAD)	**687,951**	**670,082**

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

Link between credit risk exposure and the balance sheet
This section discloses the link between the loan portfolio as defined by accounting standards and exposure as defined in CRR. The main differences are outlined in this section to illustrate the link between the different reporting methods.

Original exposure is the exposure before taking into account substitution effects stemming from credit risk mitigation, credit conversion factors (CCFs) for off-balance sheet exposure and allowances within the standardised approach. In this note, however, exposure is defined as exposure at default (EAD) for IRB exposure and exposure value for standardised exposure, unless otherwise stated. In accordance with the CRR, credit risk exposure presented in this note is divided between exposure classes where each exposure class is divided into exposure types as follows:

- On-balance sheet items
- Off-balance sheet items (e.g. guarantees and unutilised amounts of credit facilities).
- Securities financing (e.g. reversed repurchase agreements and securities lending).
- Derivatives

Items presented in other parts of the Annual Report, are divided as follows (in accordance with the accounting standards):

- On-balance sheet items (e.g. loans to central banks and credit institutions, loans to the public, reversed repurchase agreements, positive fair value for derivatives and interest-bearing securities).
- Off-balance sheet items (e.g. guarantees and unutilised lines of credit).

The table below shows the link between the CRR credit risk exposure and items presented in the Annual Report.

On-balance sheet items
The following items have been excluded from the balance sheet, when calculating on-balance exposure in accordance with the CRR:

- Market risk related items in the trading book, such as certain interest-bearing securities and pledged instruments.
- Repos, derivatives and securities lending. These transactions are either included in the calculation of market risk in the trading book or reported as separate exposure types (derivatives or securities financing).
- Other, mainly allowances and intangible assets.

Off-balance sheet items
The following off-balance sheet items specified in the Annual Report are excluded when off-balance exposure is calculated in accordance with the CRR:

- Assets pledged as security for own liabilities and Other assets pledged (apart from leasing). These transactions are reported as securities financing (i.e. a separate exposure type).
- Derivatives

Derivatives and securities financing
Derivatives can be both on-balance sheet (i.e. positive fair value) and off-balance (i.e. nominal amounts) in accordance with accounting standards. However, in the CRR, the derivatives and securities financing are reported as separate exposure types. Also, repurchase agreements and securities lending/ borrowing transactions are on the balance sheet calculated based on nominal value. In the CRR calculations these exposure types are determined net of the collateral.

Note 45:

Credit risk disclosures cont.

On-balance sheet items

31 Dec 2014, NOKm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Other	Balance sheet
Cash and balances with central banks	2,499	0	0	0	2,499
Loans to credit institutions and central banks	17,235	0	630	-3	17,863
Loans to the public	498,857	0	7,835	-6,771	499,922
Interest-bearing securities and pledged instruments	89,645	3,320	0	0	92,966
Derivatives[1]	0	0	11,951	0	11,951
Intangible assets	0	0	0	149	149
Other assets and prepaid expenses	3,980	18,917	0	1,493	24,390
Total assets	**612,216**	**22,237**	**20,416**	**-5,132**	**649,740**
Exposure at default [2]	**611,588**				

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

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

On-balance sheet items

31 Dec 2013, NOKm	Original exposure	Items related to market risk	Repos, derivatives, securities lending	Other	Balance sheet
Cash and balances with central banks	2,600	0	0	0	2,600
Loans to credit institutions and central banks	31,187	0	1,987	-98	33,076
Loans to the public	471,228	0	3	-8,460	462,771
Interest-bearing securities and pledged instruments	81,156	2,775	0	0	83,931
Derivatives[1]	0	0	5,190	0	5,190
Intangible assets	0	0	0	375	375
Other assets and prepaid expenses	4,168	4,456	0	1,553	10,177
Total assets	**590,339**	**7,231**	**7,180**	**-6,630**	**598,120**
Exposure at default [2]	**589,687**				

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

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

Off-balance sheet items

31 Dec 2014, NOKm	Credit risk in Basel II calculation	Included in derivatives and securities financing	Off-balance sheet
Assets pledged as security for own liabilities	0	171,007	171,007
Contingent liabilities	1,774	0	1,774
Commitments	120,159	0	120,159
Total	**121,934**	**171,007**	**292,940**

31 Dec 2014, NOKm	Credit risk in Basel II calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	78,054	0	78,054	51%	40,024
Checking accounts	15,874	625	16,499	57%	9,413
Loan commitments	26,232	0	26,232	35%	9,149
Guarantees	1,774	0	1,774	100%	1,772
Other	0	81	81	40%	33
Total	**121,934**	**706**	**122,640**		**60,391**

Note 45:
Credit risk disclosures cont.

Off-balance sheet items

31 Dec 2013, NOKm	Credit risk in Basel II calculation	Included in derivatives and securities financing	Off-balance sheet
Assets pledged as security for own liabilities	0	161,229	161,229
Contingent liabilities	1,777	0	1,777
Commitments	112,912	0	112,912
Total	**114,689**	**161,229**	**275,918**

31 Dec 2013, NOKm	Credit risk in Basel II calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities & checking acounts	88,266	0	88,266	70%	61,846
Loan commitments	24,646	0	24,646	39%	9,535
Guarantees	1,777	0	1,777	96%	1,704
Other	0	64	64	25%	26
Total	**114,689**	**64**	**114,753**		**73,111**

Exposure classes split by exposure type

As of year-end 2014, 85% of the total credit risk exposure was calculated using the IRB approach. The main part of the exposure is within the IRB corporate and IRB retail portfolios. During 2014, total exposures increased primarily due to increased exposures in the corporate and retail portfolios.

31 Dec 2014, NOKm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	46,914	3,246	0	0	50,160
Institutions	71,536	1,727	86	15,788	89,137
Corporate	239,495	44,621	94	0	284,210
Retail[1]	241,906	10,797	1	3	252,707
Other	11,737	0	0	0	11,737
Total exposure	**611,588**	**60,391**	**181**	**15,791**	**687,951**

Exposure classes split by exposure type

31 Dec 2013, NOKm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	50,391	1,132	0	0	51,523
Institutions	81,346	2,255	376	6,867	90,844
Corporate	221,326	59,683	41	0	281,050
Retail	230,132	10,042	0	0	240,174
Other[2]	6,492	0	0	0	6,492
Total exposure	**589,687**	**73,112**	**417**	**6,867**	**670,082**

[1, 2] Including exposures secured by real estate.

Note 45:
Credit risk disclosures cont.

Exposure split by industry group

In the table below, the total exposure is split by industry. The industry breakdown mainly follows the Global Industries Classification Standard (GICS) and is based on NACE codes (i.e. statistical classification codes of economic activities in the European community). The real estate management and investment is the largest industry, which together with other financial companies are the only sectors that account for more than 7% of the total exposure of NOK 688bn. During the year, other financial companies industry was the one with the largest relative and nominal increase in exposures, while the largest nominal decrease was found within telecommunications operators industry. The largest relative decrease appeared in other, public and organisations.

NOKm	31 Dec 2014	31 Dec 2013
Banks	32,165	28,300
Construction and engineering	18,238	15,679
Consumer durables (cars, appliances etc)	13,581	13,606
Consumer staples (food, agriculture etc)	19,306	20,097
Energy (oil, gas etc)	12,425	11,591
Health care and pharmaceuticals	1,405	1,581
Industrial capital goods	1,856	2,465
Industrial commercial services	24,170	24,569
IT software, hardware and services	3,074	2,140
Media and leisure	5,039	5,023
Metals and mining materials	1,573	1,673
Paper and forest materials	406	389
Real estate management and investment	86,575	84,374
Retail trade	13,445	14,071
Shipping and offshore	49,267	47,356
Telecommunication equipment	2	5
Telecommunication operators	3,561	5,683
Transportation	7,611	8,111
Utilities (distribution and production)	11,433	11,711
Other financial companies	49,123	40,135
Other materials (chemical, building materials etc)	4,788	4,797
Other, public and organisations	328,908	326,727
Total exposure	**687,951**	**670,082**

Exposure secured by collaterals, guarantees and credit derivatives

The guarantees used as credit risk mitigation are to a large extent issued by central and regional governments in the Nordic countries. Banks and insurance companies are also important guarantors of credit risk. Only eligible providers of guarantees and credit derivatives can be recognised in the standardised and IRB approach for credit risk. All central governments, regional governments and institutions are eligible as well as some multinational development banks and international organisations. Corporate guarantees that have a credit assessment by an ECAI or in the case of institutions calculating risk weighted exposure amounts and expected loss amount under the IRB approach and are internally rated by the institutions are also eligible.

Central governments and municipalities guarantee approximately 28% of the total guaranteed exposure. Exposures guaranteed by these guarantors have an average risk weight of 0%. 5% of the total guaranteed exposure is guaranteed by IRB institutions. The remainder is guaranteed by IRB corporate guarantors. Credit derivatives are only used as credit risk protection to a very limited extent since the credit portfolio is considered to be well diversified.

31 Dec 2014, NOKm	Original exposure	EAD	–of which secured by guarantees and credit derivatives	–of which secured by collateral
Government, local authorities and central banks	48,173	50,159	212	0
Institutions	91,256	89,137	2,425	3,253
Corporate	327,897	284,211	10,614	137,743
Retail[1]	271,199	252,707	247	205,367
Other	12,305	11,737	1	373
Total exposure	**750,830**	**687,951**	**13,500**	**346,736**

[1] Including exposures secured by real estate.

Note 45:
Credit risk disclosures cont.

Exposure secured by collaterals, guarantees and credit derivatives

31 Dec 2013, NOKm	Original exposure	EAD	-of which secured by guarantees and credit derivatives	-of which secured by collateral
Government, local authorities and central banks	52,026	51,523	297	4
Institutions	93,764	90,843	3,949	1,806
Corporate	301,531	281,050	3,020	151,079
Retail	257,986	240,174	9	196,738
Other [1]	7,068	6,492	0	92
Total exposure	**712,375**	**670,082**	**7,275**	**349,719**

[1] Including exposures secured by real estate.

Collateral distribution

The table below presents the distribution of collateral used in the capital adequacy calculation process. The table shows real estate to constitute a major share of eligible collateral items in relative terms.

	31 Dec 2014	31 Dec 2013
Financial Collateral	1.5%	1.0%
Receivables	1.8%	3.0%
Residential Real Estate	60.7%	59.0%
Commercial Real Estate	19.1%	23.0%
Other Physical Collateral	16.9%	14.0%

Past due loans, excluding impaired loans

The table below shows loans past due 6 days or more that are not considered impaired split by corporate and household customers. Past due loans to corporate customers that are not considered impaired were at end of 2014 NOKm 1,380 down from NOKm 1,384m one year ago, while past due loans for household customers decreased to NOKm 4,181m (NOK 5,074m).

	31 Dec 2014		31 Dec 2013	
NOKm	Corporate customers	Household customers	Corporate customers	Household customers
6-30 days	1,141	3,567	1,014	4,111
31-60 days	187	474	294	689
61-90 days	52	140	49	173
>90 days	0	0	26	101
Total	**1,380**	**4,181**	**1,384**	**5,074**
Past due not impaired loans divided by loans to the public after allowances, %	1%	2%	1%	2%

Loans to corporate customers, by size of loan

The distribution of loans to corporate by size of loans, seen in the table below, shows a high degree of diversification where approximately 83% (68%) of the corporate volume represents loans up to NOK 450m per customer.

	31 Dec 2014		31 Dec 2013	
Size in NOKm	Loans NOKbn	%	Loans NOKbn	%
0-90	103,945	41%	78,647	33%
90-450	105,559	42%	83,309	35%
450-900	30,358	12%	39,275	16%
900-2250	13,060	5%	32,133	13%
2250-4500	0	0%	5,219	2%
>4500	0	0%	0	0%
Total	**252,922**	**1**	**238,583**	**1**

Interest-bearing securities

For more information about credit risk related to interest-bearing securities, see Note 14 Interest-bearing securties where the carrying amount of interest-bearing securities is split on different types of counterparties.

Note 46:
Covered bonds

Historical background

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

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

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

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, which matured in April 2014. In September 2011 a further increase of USD 1bn was done towards the same market. During September 2014 a GBP Covered Bond Program was initiated, with issuance of GBP 0.5bn from NE to the market.

Main figures relating to Covered Bonds, in NOKm:	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014
Net mortgage portfolio, moved from NBN ASA to NE	-80,786	-88,582	-113,805	-116,542	-114,930
Covered bonds issued in NE, sold to NBN ASA, not rated	65,000	65,000	65,000	65,000	65,000
Covered bonds matured	-15,000	-15,000	-15,000	-15,000	-15,000
Covered bonds, bought back from NBN ASA	0	-30,000	-30,000	-30,000	-40,000
Covered bonds, rated and sold in the open market	9,325	49,379	64,866	67,966	79,435

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To the 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 2014, and the income statement and the statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

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

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

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 2014, 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 the statements on Corporate Governance and Corporate Social Responsibility

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

Opinion on 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, 5 February 2015
KPMG AS

Lars Inge Pettersen
State Authorized Public Accountant

[Translation has been made for information purposes only]

Statement by the Chief Executive Officer and the Board of Directors

The Chief Executive Officer and the Board of Directors have today considered and approved the Board of Director's report and the consolidated annual report of Nordea Bank Norge ASA (the group) as at 31 December 2014 including consolidated comparative figures as at 31 December 2013 (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 banks and financial institutions with listed securities within the European Economic Area. According to our best knowledge, the annual report has been prepared in accordance with the applicable accounting standards and gives a true and fair view of the group's and the parent company's assets, liabilities, financial position and net profit as at 31 December 2014 and as at 31 December 2013 and of the results of the group's operations and cash flows for the year 2014 and the year 2013.

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

Nordea Bank Norge ASA
Oslo, 5 February 2015

Ari Kaperi
Chairman

Torsten Hagen Jørgensen
Deputy chairman

Mary H. Moe

Karin S. Thorburn

Hans Chr. Riise
Employee representative

Gunn Wærsted
Chief Executive Officer

Report by the Control Committee 2014

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

During 2014 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 2014 and is of the view that they are in accordance with prevailing accounting regulations and International Financial Reporting Standards adopted by the European Union. The Control Committee considers the Board of Directors' evaluation of the Bank's financial position adequate and recommends that the income statement and balance sheet are adopted as presented.

With reference to other aspects of the accounts for 2014 the Control Committee refers to the auditor's report of 5 February 2015 and supports the views expressed therein concerning the submitted annual accounts.

Oslo, 9 February 2015

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

Board of Directors

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

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

Board of Directors 31 December 2014

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

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

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

Karin S. Thorburn
Born 1964. Professor of finance, The Norwegian School of Economics, Bergen. Member since 2010.

Hans Christian Krogh Riise
Born 1961. Employee representative. Member since 2013.

Deputy members

Hedda Henriette Grundt
Deputy employee representative.

Arve Sæther
Deputy employee representative.

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