

# Interim Report 2<sup>nd</sup> quarter 2014

## Nordea Bank Norge Group

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

# Key financial figures<sup>1</sup>

## Income statements

	Q2	Q1	Change	Q2	Change	Jan-Jun	Jan-Jun	Change
NOKm	2014	2014	%	2013	%	2014	2013	%
Net interest income	2,426	2,443	-1	2,317	5	4,869	4,517	8
Net fee and commission income	602	613	-2	641	-6	1,215	1,191	2
Net result from items at fair value	156	129	21	187	-17	285	358	-20
Equity method	-30	-18		0		-48	0	
Other operating income	42	33		30		75	90	
<b>Total operating income</b>	<b>3,196</b>	<b>3,200</b>	<b>0</b>	<b>3,175</b>	<b>1</b>	<b>6,396</b>	<b>6,156</b>	<b>4</b>
Staff costs	-971	-766	27	-701	39	-1,737	-1,412	23
Other expenses	-504	-458	10	-457	10	-962	-903	7
Depreciation of tangible and intangible assets	-52	-37	41	-37	41	-89	-76	17
<b>Total operating expenses</b>	<b>-1,527</b>	<b>-1,261</b>	<b>21</b>	<b>-1,195</b>	<b>28</b>	<b>-2,788</b>	<b>-2,391</b>	<b>17</b>
<b>Profit before loan losses</b>	<b>1,669</b>	<b>1,939</b>	<b>-14</b>	<b>1,980</b>	<b>-16</b>	<b>3,608</b>	<b>3,765</b>	<b>-4</b>
Net loan losses	-265	-378	-30	-268	-1	-643	-639	1
<b>Operating profit</b>	<b>1,404</b>	<b>1,561</b>	<b>-10</b>	<b>1,712</b>	<b>-18</b>	<b>2,965</b>	<b>3,126</b>	<b>-5</b>
Income tax expense	-377	-439	-14	-483	-22	-816	-875	-7
<b>Net profit for the period</b>	<b>1,027</b>	<b>1,122</b>	<b>-8</b>	<b>1,229</b>	<b>-16</b>	<b>2,149</b>	<b>2,251</b>	<b>-5</b>

## Business volumes, key items

	30 Jun	31 Mar	Change	30 Jun	Change
NOKbn	2014	2014	%	2013	%
Loans to the public	474.5	465.3	2	460.3	3
Deposits and borrowings from the public	232.8	218.3	7	218.2	7
of which savings deposits	87.1	89.8	-3	86.2	1
Equity	42.6	41.9	2	38.1	12
Total assets	614.0	588.9	4	578.0	6

## Ratios and key figures

	Q2	Q1	Q2	Jan-Jun	Jan-Jun
	2014	2014	2013	2014	2013
EPS, rolling 12 months up to period end, NOK	8.3	8.7	8.0	8.3	8.0
Equity per share <sup>2</sup> , NOK	77.4	76.0	69.1	77.4	69.1
Shares outstanding <sup>2</sup> , million	551	551	551	551	551
Return on equity, %	9.7	10.9	13.1	10.3	12.2
Cost/income ratio, %	48	39	38	44	39
Loan loss ratio, basis points <sup>4</sup>	22	32	23	28	28
Common equity Tier 1 capital ratio, excluding transition rules <sup>2,3</sup> %	18.8	19.3	15.1	18.8	15.1
Tier 1 capital ratio, excluding transition rules <sup>2,3</sup> %	21.1	21.7	17.2	21.1	17.2
Total capital ratio, excluding transition rules <sup>2,3</sup> %	22.7	23.3	18.5	22.7	18.5
Common equity Tier 1 capital ratio, including transition rules <sup>2,3</sup> %	12.0	12.6	10.8	12.0	10.8
Tier 1 capital ratio, including transition rules <sup>2,3</sup> %	13.5	14.1	12.3	13.5	12.3
Total capital ratio, including transition rules <sup>2,3</sup> %	14.6	15.1	13.2	14.6	13.2
Tier 1 capital <sup>2,3</sup> , NOKm	44,924	45,176	38,949	44,924	38,949
Risk exposure amount including transition rules <sup>2</sup> , NOKbn	212	343	226	212	226
Number of employees (full-time equivalents) <sup>2</sup>	2,802	2,867	2,862	2,802	2,862

<sup>1</sup>For exchange rates used in the consolidation of NBN see Note 1, Accounting policies.

<sup>2</sup>End of period.

<sup>3</sup>Excluding profit for the period.

<sup>4</sup>Comparative figures have been restated to align with Nordea Group Policy.

Throughout this report, "Nordea Bank Norge" and "NBN" refer to the parent company Nordea Bank Norge ASA, business identity code 911 044 110, with its subsidiaries. The registered office of the company is in Oslo. Nordea Bank Norge ASA is a wholly owned subsidiary of Nordea Bank AB (publ), the listed parent company of the whole Nordea Group. The business operations of the Nordea Group have been organised in the following business areas, all of which operate across national boundaries: Retail Banking, Wholesale Banking and Wealth Management. In addition the Nordea Group has the following group functions: Group Human Resources, Group Identity & Communications, Other Group functions, Group Corporate Centre and Group Risk Management.

The consolidated interim report of Nordea Bank AB (publ) embraces all the activities of the Nordea Group and provides the most complete and fair view. This statutory interim report covers the operations of the legal entity Nordea Bank Norge ASA with its subsidiaries.

# Nordea Bank Norge Group

## Group result and development

Throughout this report the terms “Nordea Bank Norge” and “NBN” refer to Nordea Bank Norge ASA and its subsidiaries, while “NBN ASA” refers 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.

### Macroeconomy and financial markets

The second quarter was characterised by a continuation of the falling interest rates and volatility, while equities continued to grind higher and credit spreads contracted further. Interest rates were driven lower by subdued inflation particularly in Europe and the associated reaction from ECB to ease monetary policy further and cut deposit rates to negative territory (-0.1%). This, in combination with continued accommodation from the Federal Reserve, caused 10-year yields to fall 32 basis points in Germany and 19 basis points in the US, with German 10-year yields reaching the all-time lowest level towards the end of the quarter at 1.25%.

Equities also extended the gradually increasing trend from the first quarter in a market that was mostly shaped by low volatility. In the US, equities rose 4.7% while European equities rose only 2.1% in the second quarter. Global growth was mixed, with Europe reporting a slight positive growth in the first quarter of 0.2%. US surprised negatively with a set-back of -2.9% in the first quarter, which was seen largely as driven by bad weather over the winter and not a sign of underlying weakness in the US economy. Overall, economic indicators in both US, Europe and Asia however continued to signal gradual improvement. Similarly, the peripheral debt markets in Europe continued to suggest regional improvement.

The Norwegian economy grew by 0.5% in the second quarter and 1.8% for the full year. Sentiment indicators were somewhat mixed with the purchasing manager survey for manufacturing falling slightly below expectations while the service survey surprised positively. Also, industrial production and retail sales data were mixed while unemployment remained stable below 3%. Inflation grinded lower to 1.8%, but was still significantly above regional and European levels. Equities similarly outperformed the broader Europe and rose 10.4% over the quarter taking the full year increase to 12.6%. Meanwhile 10-year yields fell dramatically by 44 basis points, driven in part by Norges Bank who lowered the rate path at the June meeting.

### Business development

Total income remained solid, with increased lending activity despite low general economic activity and volatility. Interest

rates remain low and there is an increased competitive pressure on margins. We continue to execute on our cost and capital efficiency programmes.

Retail banking continues to develop and support multi-channel offering of advisory services with over 4,000 new gold and premium customers during the quarter. A new mobile app was launched successfully increasing our focus on digital products to customers.

In Wholesale the bond issuances market continued with high activity. Margins reflect the increasingly aggressive competition from international banks. Shipping experienced low credit losses, and while customer activity fell from high levels last quarter, volume growth picked up towards the end of the quarter.

### First half year 2014 compared to the first half year 2013

#### Income

Total income is up 4% from the same period last year to NOK 6,396m.

#### Net interest income

Net interest income increased 8% compared to last year to NOK 4,869m. The rise has been driven by higher deposit and lending volumes along with higher lending margins.

Lending to the public was up 3% compared to one year ago to NOK 474bn.

#### Corporate lending

Growth in Corporate lending volumes in Retail Banking was offset by reduced volumes in other business areas, leaving volumes relatively stable compared to one year ago. Corporate lending margins were up in CIB compared to a slight depression in Retail Corporate and Shipping compared to the same period last year. Competition became fiercer towards the end of the period.

#### Household lending

Household lending increased 6% compared to the end of period last year, driven by higher mortgage lending. Mortgage lending margins rose compared to last year, however, fell towards the end of the period.

#### Corporate and household deposits

Total deposits from the public were up 7% to NOK 233bn compared to the end of period prior year. Deposit volumes climbed in Retail Household, Corporate and Shipping, while deposit margins in all major business areas dropped.

#### Net fee and commission income

Net fee and commission income increased 2% from the same period last year, ending at NOK 1,215m. High levels of customer activity were experienced across all product areas,

driven by savings related commissions, and continued levels of lending services and bond issuances.

### ***Net result from items at fair value***

Net result from items at fair value fell 20% compared to last year. The main drivers of the reduction included losses on FX derivatives in Treasury and higher than normal gains on equity instruments in Q1 2013.

### ***Equity method***

Net result for companies accounted for using the equity method netted negative NOK 48m, which mainly relates to the 23.21% holding in Eksportfinans ASA. The reduction from the same period last year is driven by the controlled run-off of the company's business activity. Nordea continues to apply its own valuation model towards the valuation of Eksportfinans' own debt.

### ***Other operating income***

Other income amounted to NOK 75m, compared to NOK 90m in the same period last year.

### ***Expenses***

Total operating expenses amounted to NOK 2,788m, including net restructuring costs for the accelerated cost efficiency programme of NOK 258m in the second quarter. Excluding restructuring costs and one-time pension effects last year, total expenses were up 4%. The corresponding staff cost increase amounted to 3% driven by normal salary increases. Excluding restructuring costs, other expenses were up 5% related to increased IT costs and a one-time VAT reimbursement in 2013. Depreciation costs rose 3% from the use of the new Nordea head office premises in Oslo. The number of employees (FTEs) fell 2% compared to the end of period prior year.

The cost/income ratio amounts to 40%, excluding the restructuring costs, up from 39% one year ago.

### ***Net loan losses***

Net loan losses for the first half year were relatively stable compared to the same period last year at NOK 643m, of which net collective provisions amounted to NOK 37m. Individual losses were driven by customers in Retail Banking and CIB, while collective losses were mainly within Shipping. The annualised loan loss ratio was stable in the first half year compared to same period one year ago at 28 basis points. Individual net loan losses amounted to 26 basis points annualised, and collective provisions net amounted to 2 basis points annualised this year.

### ***Taxes***

The effective tax rate for the first half year was 27.52% compared to 27.99% in the same period previous year.

### ***Operating profit***

Adjusted for restructuring costs this period and one-time pension effects last year, operating profit increased 9% compared to the first half last year and return on equity annualised for the period was 10.5%.

### ***Second quarter 2014 compared to first quarter***

Total income was stable compared to prior quarter at NOK 3,196m.

### ***Income***

Net interest income fell 1%, mainly due to decreasing lending margins. Lending margins fell in all major business areas, with the exception of CIB, while deposit margins in Retail Household and CIB rose.

Net fee and commission income gave a continued strong result despite a 2% reduction, while net result from items at fair value was up 21% with positive contribution from FX derivatives in Treasury and customer driven activity in Markets.

### ***Expenses***

Total expenses were up 1%, excluding one-time effects, with a 3% reduction in staff costs.

### ***Net loan losses***

Net loan losses fell 30% compared to prior quarter.

### ***Operating profit***

Operating profit grew 6% compared to prior quarter, adjusted for one time effects. Annualised return on equity, adjusted for one time effects, was 12.2% for the period.

### ***Other information***

#### ***Credit portfolio***

Total lending to the public went up 2% to NOK 474bn compared to the previous quarter and 3% compared to end of period last year.

Impaired loans gross have increased 3% compared to one year ago and 18% from three months ago ending at NOK 4,029m, corresponding to 79 basis points of total loans to the public. 51% of impaired loans gross are performing loans and 49% are non-performing loans.

The total allowance ratio is 60 basis points, compared to 46 basis points one year ago and 58 basis points at the end of the first quarter. The industries with the largest allowances at the end of the second quarter were Telecommunications, Shipping & offshore, and Real estate.

### ***Balance Sheet***

Total assets in the balance sheet grew 4% compared to previous quarter and increased by 6% compared to one year ago. The main drivers of change the last twelve months

are increased lending to the public, loans to central banks and credit institutions as well as interest bearing securities. The main increase in liabilities related to deposits from the public.

### **Capital position and risk-weighted exposure**

NBN's common equity tier 1 capital ratio excluding transition rules was 18.8% excluding profit (19.8% including profit) at the end of the second quarter, a decrease of 0.5 percentage points from the end of the previous quarter.

Excluding profit, the tier 1 capital ratio excluding transition rules decreased 0.6 percentage points to 21.1% (22.2 % including profit). The total capital ratio excluding transition rules decreased 0.6 percentage points to 22.7% (23.7% including profit).

Risk Exposure Amount, REA (previously referred to as risk-weighted assets) was NOK 212bn excluding transition rules, an increase of NOK 4.2bn, or 2%, compared to the previous quarter. This was mainly driven by updated real estate market values in the retail portfolio and market risk REA.

The common equity tier 1 ratio including transition rules was 12.0% excluding profit (12.7% including profit) at the end of the second quarter. Including profit, the own funds was NOK 50bn, the tier 1 capital was NOK 47bn and the common equity tier 1 capital was NOK 42bn.

### **Capital regulation**

On 30 June 2014, the Norwegian FSA presented a suggestion to increase risk weight floor for mortgage loans by introducing a PD floor, in addition to the previously presented LGD floor.

In addition to the increased LGD floor the Norwegian FSA presented on 1 July 2014 stricter requirements on which the internal models (IRB) are to be based. The new

requirements are to be valid from Q1 2015 and require that 20% weight is given on the downturn PD-estimate and 80% weight for the non-crisis years. For the downturn period a 3.5% PD shall be used and for the non-crisis years a minimum PD of 0.2% should be used. The requirement is also that the LGDs shall be based on a simplified model provided by regulation, driven by the LTV value of the loans and incorporating the assumptions that the cure rate is 10%, the valuation haircut is 50%, the costs of realisation is 5% of the realisation value and that the recovery of unsecured part of exposure is 10%.

### **Nordea's funding and liquidity operations**

The NBN group, through its subsidiary Nordea Eiendomskreditt AS, issued approximately NOK 15.2bn of covered bonds, while amounts maturing were approximately NOK 13.8bn during the first half year of 2014.

A total of approximately 70bn has been rated and sold in the open market of NEK bonds (approximately 6bn NOK issued in US currency). For further information on liquidity management see the Q2 2014 report for Nordea Bank AB Group.

### **2015 plan and simplification**

NBN continued to execute on our initial efficiency programme launched at the beginning of 2013. In addition, Nordea has launched an accelerated cost efficiency programme (ACE). The efficiency improvements will reduce activity-related expenses, adjust distribution to meet changed customer behaviour, increase product and IT platform efficiency, optimise processes and reduce costs in central functions. The restructuring costs for the ACE program of NOK 258m are included in the first half of 2014.

## Quarterly development

NOKm	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Jan-Jun 2014	Jan-Jun 2013
Net interest income	2,426	2,443	2,478	2,396	2,317	4,869	4,517
Net fee and commission income	602	613	653	596	641	1,215	1,191
Net result from items at fair value	156	129	63	91	187	285	358
Equity method	-30	-18	105	34	0	-48	0
Other operating income	42	33	59	54	30	75	90
<b>Total operating income</b>	<b>3,196</b>	<b>3,200</b>	<b>3,358</b>	<b>3,171</b>	<b>3,175</b>	<b>6,396</b>	<b>6,156</b>
General administrative expenses:							
Staff costs	-971	-766	-558	-704	-701	-1,737	-1,412
Other expenses	-504	-458	-524	-473	-457	-962	-903
Depreciation of tangible and intangible assets	-52	-37	-38	-37	-37	-89	-76
<b>Total operating expenses</b>	<b>-1,527</b>	<b>-1,261</b>	<b>-1,120</b>	<b>-1,214</b>	<b>-1,195</b>	<b>-2,788</b>	<b>-2,391</b>
<b>Profit before loan losses</b>	<b>1,669</b>	<b>1,939</b>	<b>2,238</b>	<b>1,957</b>	<b>1,980</b>	<b>3,608</b>	<b>3,765</b>
Net loan losses	-265	-378	-323	-439	-268	-643	-639
<b>Operating profit</b>	<b>1,404</b>	<b>1,561</b>	<b>1,915</b>	<b>1,518</b>	<b>1,712</b>	<b>2,965</b>	<b>3,126</b>
Income tax expense	-377	-439	-555	-428	-483	-816	-875
<b>Net profit for the period</b>	<b>1,027</b>	<b>1,122</b>	<b>1,360</b>	<b>1,090</b>	<b>1,229</b>	<b>2,149</b>	<b>2,251</b>
Basic/diluted Earnings per share (EPS), NOK	1.86	2.03	2.47	1.98	2.23	3.90	4.08
EPS, rolling 12 months up to period end, NOK	8.34	8.71	8.53	7.85	7.96	8.34	7.96

## Income statements

NOKm	Note	Q2 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
<b>Operating income</b>						
Interest income		4,939	4,833	9,847	9,551	19,375
Interest expense		-2,513	-2,516	-4,978	-5,034	-9,984
<b>Net interest income</b>		<b>2,426</b>	<b>2,317</b>	<b>4,869</b>	<b>4,517</b>	<b>9,391</b>
Fee and commission income		943	931	1,796	1,648	3,402
Fee and commission expense		-341	-290	-581	-457	-962
<b>Net fee and commission income</b>	3	<b>602</b>	<b>641</b>	<b>1,215</b>	<b>1,191</b>	<b>2,440</b>
Net result from items at fair value	4	156	187	285	358	512
Equity method		-30	0	-48	0	139
Other operating income		42	30	75	90	203
<b>Total operating income</b>		<b>3,196</b>	<b>3,175</b>	<b>6,396</b>	<b>6,156</b>	<b>12,685</b>
<b>Operating expenses</b>						
General administrative expenses:						
Staff costs		-971	-701	-1,737	-1,412	-2,674
Other expenses	5	-504	-457	-962	-903	-1 900
Depreciation, amortisation and impairment charges of tangible and intangible assets		-52	-37	-89	-76	-151
<b>Total operating expenses</b>		<b>-1,527</b>	<b>-1,195</b>	<b>-2,788</b>	<b>-2,391</b>	<b>-4,725</b>
<b>Profit before loan losses</b>		<b>1,669</b>	<b>1,980</b>	<b>3,608</b>	<b>3,765</b>	<b>7,960</b>
Net loan losses	6	-265	-268	-643	-639	-1 401
<b>Operating profit</b>		<b>1,404</b>	<b>1,712</b>	<b>2,965</b>	<b>3,126</b>	<b>6,559</b>
Income tax expense		-377	-483	-816	-875	-1,858
<b>Net profit for the period<sup>1</sup></b>		<b>1,027</b>	<b>1,229</b>	<b>2,149</b>	<b>2,251</b>	<b>4,701</b>
Basic/diluted earnings per share, NOK		1.86	2.23	3.90	4.08	8.53

## Statements of comprehensive income

NOKm	Q2 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
<b>Net profit for the period<sup>1</sup></b>	<b>1,027</b>	<b>1,229</b>	<b>2,149</b>	<b>2,251</b>	<b>4,701</b>
<b>Items that may be reclassified subsequently to the income statement</b>					
Currency translation differences during the period	0	1	-1	-2	0
Available-for-sale investments:					
Valuation gains/losses taken to equity	46	-156	90	-130	18
Tax on valuation gains/losses during the period	-12	44	-24	36	-5
Transferred to profit or loss on sale for the period	8	0	8	4	4
Tax on transfers to profit or loss on sale for the period	-2	0	-2	-1	-1
Cash flow hedges:					
Valuation gains/losses during the period	-9	10	-50	10	4
Tax on valuation gains/losses during the period	2	-3	13	-3	-1
<b>Items that may not be reclassified subsequently to the income statement</b>					
Defined benefit plans:					
Remeasurement of defined benefit plans	-430	0	-430	0	172
Tax on remeasurement of defined benefit plans	116	0	116	0	-36
<b>Other comprehensive income, net of tax</b>	<b>-281</b>	<b>-104</b>	<b>-280</b>	<b>-86</b>	<b>155</b>
<b>Total comprehensive income<sup>1</sup></b>	<b>746</b>	<b>1,125</b>	<b>1,869</b>	<b>2,165</b>	<b>4,856</b>

<sup>1</sup> Attributable to shareholder of Nordea Bank Norge ASA.



## Balance sheets

NOKm	Note	30 Jun 2014	31 Dec 2013	30 Jun 2013
<b>Assets</b>				
Cash and balances with central banks		5,323	2,600	5,427
Loans to central banks and credit institutions	7	30,321	33,076	21,095
Loans to the public	7	474,494	462,772	460,331
Interest-bearing securities		81,073	82,907	72,398
Financial instruments pledged as collateral		636	1,024	393
Shares		175	572	245
Derivatives		4,863	5,190	5,571
Fair value changes of the hedged items in portfolio hedge of interest rate risk		477	436	512
Investments in associated undertakings		1,505	1,553	1,413
Intangible assets		353	375	386
Property and equipment		650	361	294
Investment property		199	203	125
Current tax assets		0	0	36
Other assets		11,517	4,408	7,059
Prepaid expenses and accrued income		2,353	2,643	2,681
<b>Total assets</b>		<b>613,939</b>	<b>598,120</b>	<b>577,966</b>
<b>Liabilities</b>				
Deposits by central banks and credit institutions		231,469	243,146	223,266
Deposits and borrowings from the public		232,817	218,862	218,194
Debt securities in issue		73,883	70,977	69,879
Derivatives		1,329	1,508	1,265
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,228	747	788
Current tax liabilities		892	601	894
Other liabilities		14,977	8,526	11,129
Accrued expenses and prepaid income		3,482	2,472	3,640
Deferred tax liabilities		931	962	983
Provisions		185	121	290
Retirement benefit obligations		1,729	1,129	1,291
Subordinated liabilities		8,368	8,294	8,263
<b>Total liabilities</b>		<b>571,290</b>	<b>557,345</b>	<b>539,882</b>
<b>Equity</b>				
Share capital		4,411	4,411	4,411
Share premium reserve		3,402	3,402	3,402
Other reserves		720	999	761
Retained earnings		34,116	31,963	29,510
<b>Total equity</b>		<b>42,649</b>	<b>40,775</b>	<b>38,084</b>
<b>Total liabilities and equity</b>		<b>613,939</b>	<b>598,120</b>	<b>577,966</b>
Assets pledged as security for own liabilities		153,988	161,229	152,977
Contingent liabilities		1,762	1,777	1,784
Commitments		114,476	113,076	111,334



## Statements of changes in equity

NOKm	Share capital <sup>1</sup>	Share premium reserve	Other reserves			Retained earnings	Total equity
			Cash Flow hedges	Available-for-sale	Defined benefit plans		
<b>Opening balance at 1 Jan 2014</b>	<b>4,411</b>	<b>3,402</b>	<b>3</b>	<b>92</b>	<b>904</b>	<b>31,963</b>	<b>40,775</b>
Total comprehensive income			-37	72	-314	2,148	1,869
Share-based payments <sup>2</sup>						13	13
Other changes						-8	-8
<b>Closing balance at 30 Jun 2014</b>	<b>4,411</b>	<b>3,402</b>	<b>-34</b>	<b>164</b>	<b>590</b>	<b>34,116</b>	<b>42,649</b>

NOKm	Share capital <sup>1</sup>	Share premium reserve	Other reserves			Retained earnings	Total equity
			Cash Flow hedges	Available-for-sale	Defined benefit plans		
<b>Opening balance at 1 Jan 2013</b>	<b>4,411</b>	<b>3,402</b>	<b>0</b>	<b>76</b>	<b>768</b>	<b>27,252</b>	<b>35,909</b>
Total comprehensive income			3	16	136	4,701	4,856
Share-based payments <sup>2</sup>						18	18
Other changes						-8	-8
<b>Closing balance at 31 Dec 2013</b>	<b>4,411</b>	<b>3,402</b>	<b>3</b>	<b>92</b>	<b>904</b>	<b>31,963</b>	<b>40,775</b>

NOKm	Share capital <sup>1</sup>	Share premium reserve	Other reserves			Retained earnings	Total equity
			Cash Flow hedges	Available-for-sale	Defined benefit plans		
<b>Opening balance at 1 Jan 2013</b>	<b>4,411</b>	<b>3,402</b>	<b>0</b>	<b>76</b>	<b>768</b>	<b>27,252</b>	<b>35,909</b>
Total comprehensive income			7	-90		2,248	2,165
Share-based payments <sup>2</sup>						9	9
Other changes						1	1
<b>Closing balance at 30 Jun 2013</b>	<b>4,411</b>	<b>3,402</b>	<b>7</b>	<b>-14</b>	<b>768</b>	<b>29,510</b>	<b>38,084</b>

<sup>1</sup> Total shares registered were 551m (31 Dec 2013: 551m, 30 Jun 2013: 551m).

<sup>2</sup> Refers to the Long Term Incentive Programme (LTIP).

## Cash flow statements

NOKm	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
<b>Operating activities</b>			
Operating profit	2,965	3,126	6,559
Adjustments for items not included in cash flow	2,349	1,760	1,082
Income taxes paid	-354	-347	-1,697
<b>Cash flow from operating activities before changes in operating assets and liabilities</b>	<b>4,960</b>	<b>4,539</b>	<b>5,944</b>
Changes in operating assets and liabilities	10,537	-1,284	-12,992
<b>Cash flow from operating activities</b>	<b>15,497</b>	<b>3,255</b>	<b>-7,048</b>
<b>Investing activities</b>			
Property and equipment	-314	5	-73
Intangible assets	-12	-9	-31
Net investments in debt securities, held to maturity	342	615	593
<b>Cash flow from investing activities</b>	<b>16</b>	<b>611</b>	<b>489</b>
<b>Financing activities</b>			
Other changes in equity	0	-413	0
Issued/amortised subordinated liabilities	0	385	0
<b>Cash flow from financing activities</b>	<b>0</b>	<b>-28</b>	<b>0</b>
<b>Cash flow for the period</b>	<b>15,513</b>	<b>3,838</b>	<b>-6,559</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>10,207</b>	<b>16,793</b>	<b>16,793</b>
Translation difference	0	-48	-27
<b>Cash and cash equivalents at end of the period</b>	<b>25,720</b>	<b>20,583</b>	<b>10,207</b>
<b>Change</b>	<b>15,513</b>	<b>3,838</b>	<b>-6,559</b>
<b>Cash and cash equivalents</b>	<b>30 Jun</b>	<b>30 Jun</b>	<b>31 Dec</b>
The following items are included in cash and cash equivalents (NOKm):	<b>2014</b>	<b>2013</b>	<b>2013</b>
Cash and balances with central banks	5,323	5,427	2,600
Loans to credit institutions, payable on demand	20,397	15,156	7,607

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 at any time.

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

# Notes to the financial statements

## Note 1 - Accounting policies

Nordea's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of such standards by the International Financial Reporting Standards Interpretations Committee (IFRS IC), as endorsed by the EU Commission.

These statements are presented in accordance with IAS 34 Interim Financial Reporting.

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.

### *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.

### *Exchange rates*

	Jan-Jun 2014	Full year 2013	Jan-Jun 2013
<b>EUR 1 = NOK</b>			
Income statement (average)	8.2796	7.8091	7.4813
Balance sheet (at end of period)	8.4035	8.3630	7.8845
<b>USD 1 = NOK</b>			
Income statement (average)	6.0409	5.8802	5.7313
Balance sheet (at end of period)	6.1528	6.0641	6.0279
<b>SEK 1 = NOK</b>			
Income statement (average)	0.9243	0.9025	0.8820
Balance sheet (at end of period)	0.9158	0.8989	0.8983
<b>DKK 1 = NOK</b>			
Income statement (average)	1.1095	1.0471	1.0088
Balance sheet (at end of period)	1.1271	1.1212	1.0571

## Note 2 - Segment reporting<sup>1</sup>

	Wholesale Banking								Group Corporate Centre				Total Operating segments		Recon-ciliation <sup>2,3</sup>		Total Group	
	Retail Banking NO		CIB Total		Shipping, Offshore & Oil Services		Other Wholesale <sup>3,4</sup>		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Total operating income, NOKm	4,613	4,336	905	997	740	684	370	435	1,966	1,688	-285	-232	8,309	7,908	-1,913	-1,752	6,396	6,156
Operating profit, NOKm	2,258	2,263	374	232	538	456	31	77	1,752	1,563	-187	-146	4,766	4,445	-1,801	-1,319	2,965	3,126
Loans to the public, NOKbn	397	381	33	35	43	43	1	1	0	0	0	0	474	460	0	0	474	460
Deposits and borrowings from the public, NOKbn	181	167	36	40	14	11	2	0	0	0	0	0	233	218	0	0	233	218

### Reconciliation between total operating segments and financial statements

	Total operating income, NOKm <sup>3,4</sup>		Operating profit, NOKm <sup>3,4</sup>		Loans to the public, NOKbn		Deposits and borrowings from the public, NOKbn	
	Jan-Jun 2014	Jan-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Jan-Jun 2014	Jan-Jun 2013
Total Operating segments	8,309	7,908	4,766	4,445	474	460	233	218
Reconciliation <sup>2</sup>	-1,163	-881	-1,380	-854	0	0	0	0
Eliminations	-11	-89	0	0	0	0	0	0
Differences in accounting policies between the segments and the group regarding Markets <sup>3</sup>	-739	-782	-421	-465	0	0	0	0
<b>Total</b>	<b>6,396</b>	<b>6,156</b>	<b>2,965</b>	<b>3,126</b>	<b>474</b>	<b>460</b>	<b>233</b>	<b>218</b>

<sup>1</sup> Segment reporting has been changed as a consequence of organisational changes throughout 2014. Comparative information has been restated accordingly.

<sup>2</sup> 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 including Eksportfinans, eliminations and allocations related to Markets as per footnote 3 below.

<sup>3</sup> 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.

<sup>4</sup> Other segments consists of Wealth Management. 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.

## Note 2 - Segment reporting<sup>1</sup> 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 & Institutional 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 tailor-made 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.

## Note 3 - Net fee and commission income

NOKm	Q2 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Asset management commissions	18	18	38	21	56
Life insurance	22	18	43	36	72
Brokerage, securities issues and corporate finance	233	204	394	305	568
Custody and issuer services	56	49	102	94	202
Deposits	14	19	22	34	93
Total savings and investments	343	308	599	490	991
Payments	91	95	184	189	374
Cards	214	208	404	395	831
Total payment and cards	305	303	588	584	1,205
Lending	245	277	494	489	1,031
Guarantees and documentary payments	2	20	8	40	85
Total lending related commissions	247	297	502	529	1,116
Other commission income	48	23	107	45	90
<b>Fee and commission income</b>	<b>943</b>	<b>931</b>	<b>1,796</b>	<b>1,648</b>	<b>3,402</b>
Savings and investments	-157	-124	-238	-156	-315
Payments	-80	-71	-146	-122	-268
Cards	-92	-87	-174	-159	-344
State guarantee fees	-3	0	-4	-1	-2
Other commission expenses	-9	-8	-19	-19	-33
<b>Fee and commission expenses</b>	<b>-341</b>	<b>-290</b>	<b>-581</b>	<b>-457</b>	<b>-962</b>
<b>Net fee and commission income</b>	<b>602</b>	<b>641</b>	<b>1,215</b>	<b>1,191</b>	<b>2,440</b>

## Note 4 - Net result from items at fair value

NOKm	Q2 2014	Q1 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Shares/participations and other share-related instruments	13	4	11	17	51	40
Interest-bearing securities and other interest-related instruments	87	108	110	195	209	234
Foreign exchange gains/losses	57	14	63	71	93	222
Investment properties	-1	3	3	2	5	16
<b>Total</b>	<b>156</b>	<b>129</b>	<b>187</b>	<b>285</b>	<b>358</b>	<b>512</b>

## Note 5 - Other expenses

NOKm	Q2 2014	Q1 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Information technology	176	139	154	315	298	648
Marketing and representation	29	30	33	59	69	143
Postage, transportation, telephone and office expenses	42	55	49	97	98	186
Rents, premises and real estate expenses	124	95	105	219	202	406
Other	133	139	116	272	236	517
<b>Total</b>	<b>504</b>	<b>458</b>	<b>457</b>	<b>962</b>	<b>903</b>	<b>1,900</b>

## Note 6 - Net loan losses

NOKm	Q2 2014	Q1 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
<b>Loan losses divided by class</b>						
Loans to credit institutions	1	-1	0	0	0	2
- of which write-offs	0	-1	0	0	0	0
- of which recoveries	1	0	0	0	0	2
Loans to the public	-286	-377	-256	-663	-627	-1,363
- of which provisions	-337	-422	-417	-759	-853	-1,423
- of which write-offs	-60	-32	-352	-92	-463	-1,047
- of which allowances used to cover write-offs	43	23	291	66	386	674
- of which reversals	59	44	217	103	288	374
- of which recoveries	9	10	5	19	15	59
Off-balance sheet items	20	0	-12	20	-12	-40
- of which provisions	0	0	-12	0	-12	-41
- of which reversals	20	0	0	20	0	1
<b>Total</b>	<b>-265</b>	<b>-378</b>	<b>-268</b>	<b>-643</b>	<b>-639</b>	<b>-1,401</b>

### Key ratios

	Q2 2014	Q1 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Loan loss ratio, basis points <sup>1</sup>	22	32	23	28	28	30
- of which individual	23	28	25	26	24	24
- of which collective	-1	4	-2	2	4	6

<sup>1</sup> Net loan losses (annualised) divided by closing balance of loans to the public (lending). Comparative figures have been restated to align with Nordea Group policy.

## Note 7 - Loans and impairment

NOKm	Total			
	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Jun 2013
Loans, not impaired	503,852	486,077	494,787	479,753
Impaired loans	4,029	3,410	3,525	3,910
– Performing	2,067	1,456	1,227	1,077
– Non-performing	1,962	1,954	2,298	2,833
<b>Loans before allowances</b>	<b>507,881</b>	<b>489,487</b>	<b>498,312</b>	<b>483,663</b>
Allowances for individually assessed impaired loans	-2,356	-2,097	-1,791	-1,737
– Performing	-839	-698	-435	-301
– Non-performing	-1,517	-1,399	-1,356	-1,436
Allowances for collectively assessed impaired loans	-710	-720	-673	-500
<b>Allowances</b>	<b>-3,066</b>	<b>-2,817</b>	<b>-2,464</b>	<b>-2,237</b>
<b>Loans, carrying amount</b>	<b>504,815</b>	<b>486,670</b>	<b>495,848</b>	<b>481,426</b>

NOKm	Central banks and credit institutions				The public			
	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Jun 2013	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Jun 2013
Loans, not impaired	30,321	21,355	33,076	21,095	473,531	464,722	461,711	458,658
Impaired loans	0	0	0	0	4,029	3,410	3,525	3,910
– Performing	0	0	0	0	2,067	1,456	1,227	1,077
– Non-performing	0	0	0	0	1,962	1,954	2,298	2,833
<b>Loans before allowances</b>	<b>30,321</b>	<b>21,355</b>	<b>33,076</b>	<b>21,095</b>	<b>477,560</b>	<b>468,132</b>	<b>465,236</b>	<b>462,568</b>
Allowances for individually assessed impaired loans	0	0	0	0	-2,356	-2,097	-1,791	-1,737
– Performing	0	0	0	0	-839	-698	-435	-301
– Non-performing	0	0	0	0	-1,517	-1,399	-1,356	-1,436
Allowances for collectively assessed impaired loans	0	0	0	0	-710	-720	-673	-500
<b>Allowances</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3,066</b>	<b>-2,817</b>	<b>-2,464</b>	<b>-2,237</b>
<b>Loans, carrying amount</b>	<b>30,321</b>	<b>21,355</b>	<b>33,076</b>	<b>21,095</b>	<b>474,494</b>	<b>465,315</b>	<b>462,772</b>	<b>460,331</b>

### Allowances and provisions

NOKm	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Jun 2013
Allowances for items on the balance sheet	-3,066	-2,817	-2,464	-2,237
Provisions for off balance sheet items	-30	0	-47	-28
<b>Total allowances and provisions</b>	<b>-3,096</b>	<b>-2,817</b>	<b>-2,511</b>	<b>-2,265</b>

### Key ratios

	30 Jun 2014	31 Mar 2014	31 Dec 2013	30 Jun 2013
Impairment rate, gross <sup>1</sup> , basis points	79	70	71	81
Impairment rate, net <sup>2</sup> , basis points	33	27	35	45
Total allowance rate <sup>3</sup> , basis points	60	58	49	46
Allowances in relation to impaired loans <sup>4</sup> , %	58	61	51	44
Total allowances in relation to impaired loans <sup>5</sup> , %	76	83	70	57
Non-performing, not impaired <sup>6</sup> , NOKm	647	605	616	657

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

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

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

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

<sup>5</sup> Total allowances divided by total impaired loans before allowances.



## Note 8 - Classification of financial instruments

	Financial assets at fair value through profit or loss								
	Loans and receivables	Held to maturity	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non- financial assets		Total
NOKm									
<b>Assets</b>									
Cash and balances with central banks	5,323								5,323
Loans to central banks and credit institutions	26,592		3,729						30,321
Loans to the public	473,049		1,445						474,494
Interest-bearing securities		5,978	45,011			30,084			81,073
Financial instruments pledged as collateral			636						636
Shares			139			36			175
Derivatives			2,920		1,943				4,863
Fair value changes of the hedged items in port- folio hedge of interest rate risk	477								477
Investments in associated undertakings							1,505		1,505
Intangible assets							353		353
Property and equipment							650		650
Investment property							199		199
Other assets	10,590						927		11,517
Prepaid expenses and accrued income	2,288		35				30		2,353
<b>Total 30 Jun 2014</b>	<b>518,319</b>	<b>5,978</b>	<b>53,915</b>		<b>1,943</b>	<b>30,120</b>	<b>3,664</b>		<b>613,939</b>
<b>Total 31 Dec 2013</b>	<b>502,951</b>	<b>6,320</b>	<b>50,699</b>	<b>225</b>	<b>2,606</b>	<b>32,023</b>	<b>3,296</b>		<b>598,120</b>
<b>Total 30 Jun 2013</b>	<b>491,408</b>	<b>6,298</b>	<b>44,885</b>	<b>2,522</b>	<b>2,230</b>	<b>27,807</b>	<b>2,816</b>		<b>577,966</b>

	Financial liabilities at fair value through profit or loss					
	Held for trading	Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non- financial liabilities	Total
NOKm						
<b>Liabilities</b>						
Deposits by credit institutions	3,967	640		226,862		231,469
Deposits and borrowings from the public				232,817		232,817
Debt securities in issue				73,883		73,883
Derivatives	278		1,051			1,329
Fair value changes of the hedged items in port- folio hedge of interest rate risk				1,228		1,228
Current tax liabilities					892	892
Other liabilities	1,950			10,588	2,439	14,977
Accrued expenses and prepaid income	99			2,386	997	3,482
Deferred tax liabilities					931	931
Provisions					185	185
Retirement benefit obligations					1,729	1,729
Subordinated liabilities				8,368		8,368
<b>Total 30 Jun 2014</b>	<b>6,294</b>	<b>640</b>	<b>1,051</b>	<b>556,132</b>	<b>7,173</b>	<b>571,290</b>
<b>Total 31 Dec 2013</b>	<b>3,046</b>	<b>713</b>	<b>1,039</b>	<b>544,961</b>	<b>7,586</b>	<b>557,345</b>
<b>Total 30 Jun 2013</b>	<b>3,588</b>	<b>350</b>	<b>1,090</b>	<b>527,211</b>	<b>7,643</b>	<b>539,882</b>

## Note 9 - Fair value of financial assets and liabilities

NOKm	30 Jun 2014		31 Dec 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and balances with central banks	5,323	5,323	2,600	2,600
Loans	505,292	505,292	496,284	496,284
Interest-bearing securities	81,073	81,129	82,907	82,949
Financial instruments pledged as collateral	636	636	1,024	1,024
Shares	175	175	571	571
Derivatives	4,863	4,863	5,190	5,190
Other assets	10,590	10,590	3,632	3,632
Prepaid expenses and accrued income	2,323	2,323	2,615	2,615
<b>Total financial assets</b>	<b>610,275</b>	<b>610,331</b>	<b>594,823</b>	<b>594,865</b>
<b>Financial liabilities</b>				
Deposits and debt instruments	547,765	548,866	542,026	538,372
Derivatives	1,329	1,329	1,508	1,508
Other liabilities	12,538	12,538	4,624	4,624
Accrued expenses and prepaid income	2,485	2,485	1,601	1,601
<b>Total financial liabilities</b>	<b>564,117</b>	<b>565,218</b>	<b>549,759</b>	<b>546,105</b>

The determination of fair value is described in the Annual Report 2013, Note 40 Assets and liabilities at fair value.

## Note 10 - Financial assets and liabilities measured at fair value on the balance sheet

### Categorisation into the fair value hierarchy

NOKm	30 Jun 2014		
	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)
<b>Financial Assets<sup>1</sup></b>			
Loans to central banks and credit institutions		3,729	
Loans to the public		1,445	
Interest bearing securities	27,092	48,003	
Shares <sup>2</sup>	663		148
Derivatives	3	4,860	
Prepaid expenses and accrued income		35	
<b>Financial Liabilities<sup>1</sup></b>			
Deposits by credit institutions		4,607	
Derivatives	13	1,316	
Other liabilities	1,950		
Accrued expenses and prepaid income		99	

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

<sup>2</sup> Of which NOK 636m relates to the balance sheet item financial instruments pledged as collateral

Financial assets and liabilities with offsetting positions in markets risk and counterparty risk are measured on the basis of the price that would be received to sell the net asset position or paid to transfer the net liability position for that risk exposure. For more information about valuation techniques and inputs used in the fair value measurement, see the Annual Report 2013, Note 40 Asset and liabilities at fair value.

### Transfers between level 1 and 2

During the period, Nordea Bank Norge transferred interest-bearing securities of NOKm 249 from Level 1 to Level 2 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. Transfers between levels are considered to have occurred at the end of the reporting period.

### Movements in level 3

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

30 Jun 2014, NOKm	1 jan 2014	Unrealised fair value gains/losses recorded in the income statement	Purchases	Sales	Translation differences	30 Jun 2014
<b>Assets</b>						
Shares	133	0	15	0	0	148

Unrealised gains/losses related to those assets and liabilities held at the end of the reporting period. Transfers between categories are measured at the end of the reporting period. Fair value gains/losses in the income statement during the year are included in "Net results from items at fair value".

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

### Sensitivity of level 3 financial instruments

30 Jun 2014, NOKm	Carrying amount	Effect of reasonably possible alternative assumptions	
		Favourable	Unfavourable
<b>Assets</b>			
Shares	148	0	0

In order to calculate the effect on level 3, fair values from altering the assumptions of the valuation technique or model, the sensitivity to unobservable input data is assessed. The method used to calculate the effect is described in the Annual Report 2013, Note 40 Assets and liabilities at fair value.

## Note 11 - Capital adequacy

### Summary of items included in own funds

	30 Jun <sup>1</sup> 2014	31 Dec <sup>1</sup> 2013	30 Jun 2013
<b>NOKm</b>			
Calculation of own funds			
Equity	42,649	40,775	35,834
Proposed/actual dividend			
Deferred tax assets			0
Intangible assets	-354	-376	-1,184
IRB provisions shortfall (-)	-76	-282	-653
Deduction for investments in credit institutions (50%)	-1	0	-1
Other items, net	-130	-97	6
<b>Common Equity Tier 1 capital (net after deduction)</b>	<b>42,089</b>	<b>40,019</b>	<b>34,001</b>
Additional Tier 1 instruments	4,984	4,959	4,948
Deductions for investments in insurance companies			
<b>Tier 1 capital (net after deduction)</b>	<b>47,074</b>	<b>44,978</b>	<b>38,949</b>
Tier 2 instruments	3,426	3,376	3,400
IRB provisions excess (+)/shortfall (-)	-76	-282	-653
Deduction for investments in credit institutions (50%)	0	0	-1
<b>Own funds (net after deduction)</b>	<b>50,424</b>	<b>48,071</b>	<b>41,695</b>

<sup>1</sup> Including profit

### Own Funds

	30 Jun 2014	31 Dec 2013	30 Jun 2013
<b>NOKm</b>			
Common Equity Tier 1 capital, including profit	42,089	40,019	36,252
Total Own Funds, including profit	50,424	48,071	43,946
Common equity tier 1 capital, excluding profit	39,940	35,318	34,001
Total own funds, excluding profit	48,275	43,370	41,695

	30 Jun 2014	30 Jun 2014	31 Dec 2013	31 Dec 2013	30 Jun 2013	30 Jun 2013
	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
<b>NOKm</b>						
<b>Credit risk</b>	<b>14,992</b>	<b>187,404</b>	<b>16,170</b>	<b>202,128</b>	<b>16,257</b>	<b>203,208</b>
IRB	13,633	170,407	14,827	185,342	14,830	185,379
- of which corporate	10,623	132,785	12,484	156,051	12,342	154,272
- of which advanced	10,108	126,349	0	0	0	0
- of which foundation	515	6,436	12,484	156,051	12,342	154,272
- of which institutions	264	3,306	308	3,851	521	6,516
- of which retail	2,530	31,624	1,862	23,276	1,830	22,876
- of which other	215	2,691	173	2,164	137	1,715
Standardised	1,360	16,997	1,343	16,786	1,426	17,829
- of which sovereign	9	116	14	172	14	173
- of which retail	614	7,674	573	7,159	534	6,669
- of which other	737	9,208	756	9,455	879	10,988

### Credit Value Adjustment Risk

<b>Market risk</b>	<b>257</b>	<b>3,217</b>	<b>179</b>	<b>2,237</b>	<b>130</b>	<b>1,628</b>
- of which trading book, Internal Approach	156	1,955	94	1,180	73	911
- of which trading book, Standardised Approach	22	276	85	1,057	57	717
- of which banking book, Standardised Approach	79	987	0	0	0	0
<b>Operational risk</b>	<b>1,744</b>	<b>21,806</b>	<b>1,677</b>	<b>20,957</b>	<b>1,677</b>	<b>20,957</b>
Standardised	1,744	21,806	1,677	20,957	1,677	20,957
<b>Sub total</b>	<b>16,994</b>	<b>212,426</b>	<b>18,026</b>	<b>225,322</b>	<b>18,063</b>	<b>225,793</b>

### Adjustment for Basel I floor

Additional capital requirement according to Basel I floor	9,543	119,287	7,683	96,043	7,234	90,428
<b>Total</b>	<b>26,537</b>	<b>331,714</b>	<b>25,709</b>	<b>321,366</b>	<b>25,298</b>	<b>316,221</b>

## Note 11 - Capital adequacy cont.

### Minimum Capital Requirement & Buffers

Percentage	Minimum Capital requirement	Buffers				Total
		CCB	CCCB	SIFI	SRB	
Common Equity Tier 1 capital	4.50%	2.50%			2.00%	<b>9.00%</b>
Tier 1 capital	6.00%	2.50%			2.00%	<b>10.50%</b>
Own funds	8.00%	2.50%			2.00%	<b>12.50%</b>

  

NOKm						
Common Equity Tier 1 capital	14,927	8,293	0	0	6,634	<b>29,854</b>
Tier 1 capital	19,903	8,293	0	0	6,634	<b>34,830</b>
Own funds	26,537	8,293	0	0	6,634	<b>41,464</b>

### Capital ratios

Percentage	30 Jun	31 Dec	30 Jun
	2014	2013	2013
Common Equity Tier 1 capital ratio, including profit	19.8	17.8	16.1
Tier I ratio, including profit	22.2	20.0	18.2
Total Capital ratio, including profit	23.7	21.3	19.5
Common Equity Tier 1 capital ratio, excluding profit	18.8	15.7	15.1
Tier I ratio, excluding profit	21.1	17.9	17.2
Total Capital ratio, excluding profit	22.7	19.2	18.5

### Capital ratios including Basel I

	30 Jun	31 Dec	30 Jun
	2014	2013	2013
Common Equity Tier 1 capital ratio, including profit	12.7	12.5	11.5
Tier I ratio, including profit	14.2	14.0	13.0
Total Capital ratio, including profit	15.2	15.0	13.9
Common Equity Tier 1 capital ratio, excluding profit	12.0	11.0	10.8
Tier I ratio, excluding profit	13.5	12.5	12.3
Total Capital ratio, excluding profit	14.6	13.5	13.2

## Note 12 - Risks and uncertainties

Nordea Bank Norge's revenue base reflects our business with a large and diversified customer base, comprised of both household and corporate customers and represents different geographic areas and industries.

NBN's main risk exposure is credit risk. NBN also assumes risks such as market risk, liquidity risk and operational risk. For further information on risk composition, see the 2013 Annual Report.

The financial crisis and the deteriorating macroeconomic situation have not had a material impact on NBN's financial position. However, the macroeconomic development remains uncertain.

None of the above exposures and risks is expected to have any significant adverse effect on NBN or our financial position in the medium term.

Within the framework of the normal business operations, NBN faces 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 NBN or our financial position in the next six months.

# Nordea Bank Norge ASA

## Income statements

NOKm	Q2 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
<b>Operating income</b>					
Interest income	3,850	3,779	7,630	7,514	15,115
Interest expense	-2,110	-2,099	-4,171	-4,204	-8,377
<b>Net interest income</b>	<b>1,740</b>	<b>1,680</b>	<b>3,459</b>	<b>3,310</b>	<b>6,738</b>
Fee and commission income	901	885	1,709	1,557	3,220
Fee and commission expense	-339	-287	-576	-452	-951
<b>Net fee and commission income</b>	<b>562</b>	<b>598</b>	<b>1,133</b>	<b>1,105</b>	<b>2,269</b>
Net result from items at fair value	165	161	292	329	482
Dividends and group contribution	675	14	675	14	14
Other operating income	58	54	114	124	270
<b>Total operating income</b>	<b>3,200</b>	<b>2,507</b>	<b>5,673</b>	<b>4,882</b>	<b>9,773</b>
<b>Operating expenses</b>					
General administrative expenses:					
Staff costs	-927	-664	-1,653	-1,339	-2,532
Other expenses	-483	-444	-911	-865	-1,801
Depreciation of tangible and intangible assets	-47	-36	-83	-74	-146
<b>Total operating expenses</b>	<b>-1,457</b>	<b>-1,144</b>	<b>-2,647</b>	<b>-2,278</b>	<b>-4,479</b>
<b>Profit before loan losses</b>	<b>1,743</b>	<b>1,363</b>	<b>3,026</b>	<b>2,604</b>	<b>5,294</b>
Net loan losses	-243	-254	-597	-610	-1,340
<b>Operating profit</b>	<b>1,500</b>	<b>1,109</b>	<b>2,429</b>	<b>1,994</b>	<b>3,954</b>
Income tax expense	-401	-311	-662	-555	-1,180
<b>Net profit for the period</b>	<b>1,099</b>	<b>798</b>	<b>1,767</b>	<b>1,439</b>	<b>2,774</b>

# Nordea Bank Norge ASA

## Balance sheets

NOKm	30 Jun 2014	31 Dec 2013	30 Jun 2013
<b>Assets</b>			
Cash and balances with central banks	5,323	2,595	5,423
Loans to central banks and credit institutions	65,002	70,555	58,649
Loans to the public	342,649	326,194	326,101
Interest-bearing securities	97,522	104,067	93,608
Financial instruments pledged as collateral	636	1,024	393
Shares	175	572	245
Derivatives	5,192	5,592	5,998
Fair value changes of the hedged items in portfolio hedge of interest rate risk	382	348	404
Investments in group undertakings	5,528	5,042	4,739
Investments in associated undertakings	417	417	417
Intangible assets	289	318	334
Property and equipment	544	361	293
Investment property	6	10	19
Current tax assets	0	0	36
Other assets	11,022	4,373	7,012
Prepaid expenses and accrued income	1,472	1,744	1,746
<b>Total assets</b>	<b>536,159</b>	<b>523,212</b>	<b>505,417</b>
<b>Liabilities</b>			
Deposits by credit institutions	231,523	243,143	223,382
Deposits and borrowings from the public	232,836	218,875	218,304
Debt securities in issue	4,171	3,147	2,848
Derivatives	3,113	4,027	3,402
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-28	-58	-49
Current tax liabilities	576	0	551
Other liabilities	14,840	8,511	11,095
Accrued expenses and prepaid income	2,626	1,271	2,752
Deferred tax liabilities	530	555	679
Provisions	180	119	280
Retirement benefit obligations	1,701	1,098	1,260
Subordinated liabilities	8,368	8,294	8,263
<b>Total liabilities</b>	<b>500,436</b>	<b>488,982</b>	<b>472,767</b>
<b>Equity</b>			
Share capital	4,411	4,411	4,411
Share premium reserve	3,402	3,402	3,402
Other reserves	739	1,017	774
Retained earnings	27,171	25,400	24,063
<b>Total equity</b>	<b>35,723</b>	<b>34,230</b>	<b>32,650</b>
<b>Total liabilities and equity</b>	<b>536,159</b>	<b>523,212</b>	<b>505,417</b>
Assets pledged as security for own liabilities	52,012	68,777	61,998
Contingent liabilities	6,289	5,811	5,622
Commitments	109,568	123,635	118,742



# 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 interim report of Nordea Bank Norge ASA (the group) as at 30 June 2014 and for the first half year 2014 including consolidated comparative figures as at 30 June 2013 and for the first half year 2013 (the interim report).

The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and additional Norwegian disclosure requirements for interim financial reports of banks and financial institutions with listed and securities within the European Economic Area. According to our best knowledge, the interim 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 30 June 2014 and as at 30 June 2013 and of the results of the group's operations and cash flows for the first half year of 2014 and the first half year of 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, 16 July 2014

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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