

Interim Report 3rd quarter 2014

Nordea Bank Norge Group

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 750 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 figures¹

Income statements

	Q3	Q2	Change	Q3	Change	Jan-Sep	Jan-Sep	Change
NOKm	2014	2014	%	2013	%	2014	2013	%
Net interest income	2,468	2,426	2	2,396	3	7,337	6,913	6
Net fee and commission income	683	602	13	596	15	1,898	1,787	6
Net result from items at fair value	135	156	-13	91	48	420	449	-6
Equity method	9	-30		34		-39	34	
Other operating income	31	42		54		106	144	
Total operating income	3,326	3,196	4	3,171	5	9,722	9,327	4
Staff costs	-716	-971	-26	-704	2	-2,453	-2,116	16
Other expenses	-420	-504	-17	-473	-11	-1,382	-1,376	0
Depreciation of tangible and intangible assets	-243	-52	367	-37	557	-332	-113	194
Total operating expenses	-1,379	-1,527	-10	-1,214	14	-4,167	-3,605	16
Profit before loan losses	1,947	1,669	17	1,957	-1	5,555	5,722	-3
Net loan losses	-124	-265	-53	-439	-72	-767	-1,078	-29
Operating profit	1,823	1,404	30	1,518	20	4,788	4,644	3
Income tax expense	-471	-377	25	-428	10	-1,287	-1,303	-1
Net profit for the period	1,352	1,027	32	1,090	24	3,501	3,341	5

Business volumes, key items

	30 Sep	30 June	Change	30 Sep	Change
NOKbn	2014	2014	%	2013	%
Loans to the public	481.3	474.5	1	460.7	4
Deposits and borrowings from the public	224.9	232.8	-3	214.7	5
of which savings deposits	87.3	87.1	0	86.0	2
Equity	43.8	42.6	3	39.3	11
Total assets ⁵	611.1	614.0	0	572.6	7

Ratios and key figures

	Q3	Q2	Q3	Jan-Sep	Jan-Sep
	2014	2014	2013	2014	2013
Basic/Diluted Earnings per share (EPS), NOK	2.5	1.9	2.0	6.3	6.1
EPS, rolling 12 months up to period end, NOK	8.8	8.3	7.9	8.8	7.9
Equity per share ² , NOK	79.4	77.4	71.3	79.4	71.3
Shares outstanding ² , million	551	551	551	551	551
Return on equity, %	12.5	9.7	11.3	11.0	11.9
Cost/income ratio, %	41	48	38	43	39
Loan loss ratio, basis points ⁴	10	22	38	21	32
Common Equity Tier 1 capital ratio, excluding transition rules ^{2,3} %	19.5	18.8	15.6	19.5	15.6
Tier 1 capital ratio, excluding transition rules ^{2,3} %	21.9	21.1	17.8	21.9	17.8
Total capital ratio, excluding transition rules ^{2,3} %	23.7	22.7	19.0	23.7	19.0
Common Equity Tier 1 capital ratio, including transition rules ^{2,3} %	11.7	12.0	11.0	11.7	11.0
Tier 1 capital ratio, including transition rules ^{2,3} %	13.1	13.5	12.5	13.1	12.5
Total capital ratio, including transition rules ^{2,3} %	14.2	14.6	13.4	14.2	13.4
Tier 1 capital ^{2,3} , NOKm	48,174	44,924	39,655	48,174	39,655
Risk exposure amount including transition rules ² , NOKbn	204	212	223	204	233
Number of employees (full-time equivalents) ²	2,750	2,802	2,883	2,750	2,883

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

² End of period

³ Excluding profit for the first nine months of 2014.

⁴ Comparative figures have been restated to align with Nordea Group policy.

⁵ Comparative figures for 30th of September have been restated due to changed accounting policy for recognition of forward starting bonds. See note 1, Accounting policies of the Annual Report for 2013 for further information.

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 third quarter was characterised by divergence, where the US economy continued to develop robustly, whereas the Euro Area showed signs of deceleration. The Norwegian mainland economy grew by 1.2% q/q in the second quarter. The picture was somewhat mixed for the third quarter. Manufacturing production continued to perform, whereas retail sales were weaker than expected. Underlying inflation came down from the 2.5 %-levels, currently at 2.2 %, but remained well above Euro Area levels. The third quarter oil investment survey suggested a 15% drop in oil investments for 2015 is expected to weigh on Norwegian growth going forward. In September, Norges Bank signalled that policy rates likely will remain unchanged for a considerable period resulting in relatively higher short end rates and a stronger Norwegian krone. Over the quarter, Norwegian 10-year yields dropped 20 basis points while equities fell 2%. For further information on macroeconomic development see the Q3 2014 report for Nordea Bank AB Group.

Business development

Net profit in the third quarter amounted to 1,352m, up from 1,027 last quarter. Total operating income grew by 4%, driven by net commission income and customer demand for event-driven activity.

Retail banking continues to develop and support multi-channel offering of advisory services with over 3,300 new gold and premium customers during the quarter. As a part of offering new solutions to our customers, BankID without Java has been launched for both corporate and household customers.

In Wholesale, activity remained high, driven by lending in Debt Capital Markets and syndicated loans, while demand for risk management products remained weak.

Credit quality continued to improve in the third quarter. Net loan losses decreased and the loan loss ratio was 10 basis points (22 basis points in the second quarter).

First nine months of 2014 compared to the first nine months of 2013

Income

Total operating income was up 4% from the same period last year to NOK 9,722m.

Net interest income

Net interest income increased 6% compared to last year to NOK 7,337m. The rise has been driven by higher lending margins along with higher lending volumes and lower average funding cost.

Lending to the public was up 4% compared to one year ago to NOK 481bn.

Corporate lending

Corporate volumes grew 4% compared to one year ago, with a rise in Retail Banking and Shipping partly offset by reduced volumes in CIB. Corporate lending margins were up in CIB and Shipping while fairly stable in Retail Banking compared to the same period last year.

Household lending

Household lending increased 5% 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 5% to NOK 225bn compared to the end of period last year. Deposit volumes climbed in all major business areas, with the main increases in Retail Household and CIB, while deposit margins dropped.

Net fee and commission income

Net fee and commission income increased 6% from the same period last year, ending at NOK 1,898m. Growth was driven by continued high levels of customer activity related to bond issuances, custody services and cards, as well as lending services.

Net result from items at fair value

Net result from items at fair value fell 6% compared to last year. The main driver of the reduction was losses on FX derivatives in Treasury, partly offset by increased income from the bond portfolio in Treasury.

Equity method

Net result for companies accounted for using the equity method netted negative NOK 39m, which mainly relates to the 23.21% holding in Eksportfinans ASA. The reduction from the same period last year is driven by reduced business activity. Nordea continues to apply its own valuation model towards the valuation of Eksportfinans's own debt.

Other operating income

Other income amounted to NOK 106m, compared to NOK 144m in the same period last year.

Expenses

Total operating expenses amounted to NOK 4,167m, including net restructuring costs for the accelerated cost efficiency programme of NOK 258m in the second quarter and IT impairment of 194m in third quarter (see Other information below). Excluding restructuring costs and IT impairment, total expenses were up 3%. The corresponding staff cost increase amounted to 5% mainly driven by higher variable salaries following growth in income and normal salary increases. Other expenses were down 1%. Depreciation costs excluding IT impairment rose 12% from the use of the new Nordea head office premises in Oslo. The number of employees (FTEs) fell 5% compared to the end of period prior year, in line with plan.

The cost/income ratio amounts to 38%, excluding the restructuring costs and IT impairment, down from 39% one year ago.

Net loan losses

Net loan losses for the first nine months declined 29% compared to the same period last year, ending at NOK 767m, of which net collective reversals amounted to NOK 32m. This corresponds to an annualised loan loss ratio of 21 basis points compared to 32 basis points for the same period one year ago. Individual losses were driven by customers in Retail Banking and CIB, and collective reversals were also mainly within these business areas. Individual net loan losses amounted to 22 basis points annualised, and collective reversals net amounted to -1 basis point annualised this year.

Taxes

The effective tax rate for the first nine months was 26.9% compared to 28.1% in the same period last year.

Operating profit

Adjusted for restructuring costs and IT impairment this period, operating profit increased 13% compared to the first nine months last year, and corresponding return on equity annualised for the period was 12.1%.

Third quarter 2014 compared to second quarter

Total operating income grew 4% compared to the prior quarter to NOK 3,326m.

Income

Net interest income increased 2%, mainly due to higher deposit margins. Total lending to public rose 1% and deposits from the public decreased 3%.

Net fee and commission income gave a continued strong result with a growth of 13%, to a large degree related to

lending services, while net result from items at fair value fell 13% with reduced contribution from FX derivatives in Treasury.

Expenses

Total expenses were down 10%, 7% excluding restructuring costs and IT impairment with a corresponding 3% reduction in adjusted staff costs.

Net loan losses

Net loan losses fell 53% compared to the prior quarter.

Operating profit

Adjusted for restructuring costs and IT impairment operating profit grew 21% compared to last quarter. Corresponding annualised return on equity was 13.8% for the period.

Other information

Credit portfolio

Total lending to the public went up 4% to NOK 481bn compared to end of period last year, and 1% compared to the previous quarter.

Impaired loans gross have increased 32% compared to one year ago and 19% from three months ago ending at NOK 4,797m, corresponding to 97 basis points of total loans to the public. 54% of impaired loans gross are performing loans and 46% are non-performing loans.

The total allowance ratio is 64 basis points, compared to 51 basis points one year ago and 60 basis points at the end of the second quarter. The industries with the largest allowances at the end of the third quarter were Telecommunications, Shipping & offshore, and Real estate.

Balance Sheet

Total assets in the balance sheet grew 7% compared to one year ago and was stable compared to the previous quarter. The main drivers of change the last twelve months were increased lending to the public, loans to central banks and credit institutions, as well as interest bearing securities. The main increases on the liability side are related to debt securities in issue and deposits from the public.

Capital position and risk-weighted exposure

NBN's Common Equity Tier 1 capital ratio excluding transition rules and profit for the period was 19.5% at the end of the third quarter (21.2% including profit), an increase of 0.7 percentage points from the end of the previous quarter (1.4 including profit). Tier 1 capital ratio excluding transition rules and profit increased 0.8 percentage points to 21.9% (up 1.5 percentage points to 23.7% including profit). The total capital ratio excluding transition rules and profit increased 1.0 percentage point to 23.7% (up 1.7 percentage points to 25.4% including profit).

Risk Exposure Amount, REA (previously referred to as risk-

weighted assets), was NOK 204bn excluding transition rules (340bn including transition rules), a decrease of NOK 8.8bn, or 4.1%, compared to the previous quarter. The effect of the new Norwegian capital adequacy regulations was a reduction of NOK 7.0bn in REA excluding transition rules.

The Common Equity Tier 1 ratio including transition rules was 11.7% excluding profit (12.7% including profit) at the end of the third quarter. The own funds including profit were NOK 52bn, and the Common Equity Tier 1 capital was NOK 43bn.

Capital regulation

Amendments to the Norwegian capital adequacy regulations entered into force the 30th of September 2014. The new regulations resemble the CRR/CRDIV regulations which are applicable in EU-countries, also known as Basel III. Additional national adjustments to the Basel III rules are introduced. These include regulatory requirements to the risk exposure amounts related to the Basel I floor as reported under the Basel II regulation framework.

The Norwegian rules deviate from European CRR/CRDIV as it states, among others, that the risk exposure amount does not adapt geographical location in the capital buffer calculations and it does not allow reduced risk weight to the SME segment. As applicable in EU, the new regulations include more stringent rules than the previous regulations in respect of requirements for the quality of capital and deductions for own funds, as well as transition rules. It still remains to implement a number of detailed provisions compared to the EU legislation. New supervisory practices related to household mortgage loans will be implemented according to supervisory practices applicable for Nordea as from first quarter 2015.

Nordea's funding and liquidity operations

The NBN group, through its subsidiary Nordea Eiendomskreditt AS, issued approximately NOK 24.8bn of covered bonds. Amounts maturing and purchased back were approximately NOK 13.8bn during the first nine months of 2014.

A total of approximately 79.5bn has been rated and sold in the open market of NEK bonds (approximately NOK 6bn issued in US currency and NOK 5bn in GBP). For further information on liquidity management see the Q3 2014 report for Nordea Bank AB Group.

Building the future relationship bank

The rapid change in our customers' preferences towards using online and mobile solutions, as well as the increasing operational regulation, is transforming our industry. To enable us to develop even more personalised and convenient services to our customers in the future, we are currently simplifying processes in all parts of the bank. Nordea will, as part of this process, build new core banking and payment platforms, significantly increasing our agility, scale benefit and resilience. The investments in new platforms are leading to an increase in our annual IT investments over the coming 4–5 years. These investments will for 2015 be made within the current cost plan.

As a consequence of the above we will replace some of our current IT systems, leading to an impairment charge of NOK 194m.

Quarterly development

	Q3	Q2	Q1	Q4	Q3	Jan-Sep	Jan-Sep
NOKm	2014	2014	2014	2013	2013	2014	2013
Net interest income	2,468	2,426	2,443	2,478	2,396	7,337	6,913
Net fee and commission income	683	602	613	653	596	1,898	1,787
Net result from items at fair value	135	156	129	63	91	420	449
Equity method	9	-30	-18	105	34	-39	34
Other operating income	31	42	33	59	54	106	144
Total operating income	3,326	3,196	3,200	3,358	3,171	9,722	9,237
General administrative expenses:							
Staff costs	-716	-971	-766	-558	-704	-2,453	-2116
Other expenses	-420	-504	-458	-524	-473	-1,382	-1376
Depreciation of tangible and intangible assets	-243	-52	-37	-38	-37	-332	-113
Total operating expenses	-1,379	-1,527	-1,261	-1,120	-1,214	-4,167	-3,605
Profit before loan losses	1,947	1,669	1,939	2,238	1,957	5,555	5,722
Net loan losses	-124	-265	-378	-323	-439	-767	-1078
Operating profit	1,823	1,404	1,561	1,915	1,518	4,788	4,644
Income tax expense	-471	-377	-439	-555	-428	-1,287	-1303
Net profit for the period	1,352	1,027	1,122	1,360	1,090	3,501	3,341
Basic/diluted Earnings per share (EPS), NOK	2.5	1.9	2.0	2.5	2.0	6.3	6.1
EPS, rolling 12 months up to period end, NOK	8.8	8.3	8.7	8.5	7.9	8.8	7.9

Income statements

NOKm	Note	Q3 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	Full year 2013
Operating income						
Interest income		4,931	4,845	14,778	14,396	19,375
Interest expense		-2,463	-2,449	-7,441	-7,483	-9,984
Net interest income		2,468	2,396	7,337	6,913	9,391
Fee and commission income ¹		885	806	2,511	2,364	3,223
Fee and commission expense ¹		-202	-210	-613	-577	-783
Net fee and commission income	3	683	596	1,898	1,787	2,440
Net result from items at fair value	4	135	91	420	449	512
Equity method		9	34	-39	34	139
Other operating income		31	54	106	144	203
Total operating income		3,326	3,171	9,722	9,327	12,685
Operating expenses						
General administrative expenses:						
Staff costs		-716	-704	-2,453	-2,116	-2,674
Other expenses	5	-420	-473	-1,382	-1,376	-1,900
Depreciation, amortisation and impairment charges of tangible and intangible assets		-243	-37	-332	-113	-151
Total operating expenses		-1,379	-1,214	-4,167	-3,605	-4,725
Profit before loan losses		1,947	1,957	5,555	5,722	7,960
Net loan losses	6	-124	-439	-767	-1,078	-1,401
Operating profit		1,823	1,518	4,788	4,644	6,559
Income tax expense		-471	-428	-1,287	-1,303	-1,858
Net profit for the period¹		1,352	1,090	3,501	3,341	4,701
¹ Figures for 2013 are restated, see Note 1 Accounting Policies for further detail						
Basic/diluted earnings per share, NOK		2.5	2.0	6.3	6.1	8.5

Statements of comprehensive income

NOKm	Q3 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	Full year 2013
Net profit for the period¹	1,352	1,090	3,501	3,341	4,701
Items that may be reclassified subsequently to the income statement					
Currency translation differences during the period	0	2	-1	2	0
Available-for-sale investments:					
Valuation gains/losses taken to equity	41	149	131	20	18
Tax on valuation gains/losses during the period	-11	-42	-35	-6	-5
Transferred to profit or loss on sale for the period	1	0	9	4	4
Tax on transfers to profit or loss on sale for the period	-1	0	-3	-1	-1
Cash flow hedges:					
Valuation gains/losses during the period	135	2	85	12	4
Tax on valuation gains/losses during the period	-36	-1	-23	-3	-1
Items that may not be reclassified subsequently to the income statement					
Defined benefit plans:					
Remeasurement of defined benefit plans	-485	0	-915	0	172
Tax on remeasurement of defined benefit plans	131	0	247	0	-36
Other comprehensive income, net of tax	-225	110	-505	28	155
Total comprehensive income¹	1,127	1,200	2,996	3,369	4,856

¹ Attributable to the shareholder of Nordea Bank Norge ASA.

Balance sheets

NOKm	Note	30 Sep 2014	31 Dec 2013	30 Sep 2013
Assets				
Cash and balances with central banks		5,007	2,600	2,387
Loans to central banks and credit institutions	7	23,036	33,076	14,015
Loans to the public	7	481,261	462,772	460,653
Interest-bearing securities ¹		82,202	82,907	77,090
Financial instruments pledged as collateral		1,203	1,024	240
Shares		366	572	284
Derivatives		3,357	5,190	4,372
Fair value changes of the hedged items in portfolio hedge of interest rate risk		460	436	429
Investments in associated undertakings		1,513	1,553	1,447
Intangible assets		151	375	385
Property and equipment		751	361	270
Investment property		195	203	206
Other assets		9,191	4,408	8,025
Prepaid expenses and accrued income		2,443	2,643	2,792
Total assets		611,136	598,120	572,595
Liabilities				
Deposits by central banks and credit institutions		224,870	243,146	218,332
Deposits and borrowings from the public		224,943	218,862	214,677
Debt securities in issue		85,192	70,977	70,023
Derivatives		2,718	1,508	1,298
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,180	747	686
Current tax liabilities		1,407	601	1,301
Other liabilities ¹		10,898	8,526	11,627
Accrued expenses and prepaid income		4,337	2,472	4,515
Deferred tax liabilities		812	962	1,042
Provisions		199	121	267
Retirement benefit obligations		2,190	1,129	1,292
Subordinated liabilities		8,611	8,294	8,247
Total liabilities		567,357	557,345	533,307
Equity				
Share capital		4,411	4,411	4,411
Share premium reserve		3,402	3,402	3,402
Other reserves		495	999	870
Retained earnings		35,471	31,963	30,605
Total equity		43,779	40,775	39,288
Total liabilities and equity		611,136	598,120	572,595
Assets pledged as security for own liabilities		163,675	161,229	155,450
Contingent liabilities		1,761	1,777	1,890
Commitments		119,449	113,076	112,147

¹Comparative figures for 30 September 2013 are restated due to changed accounting policy for recognition of forward starting bonds. See Note 1 Accounting Policies for further details.

Statements of changes in equity

NOKm	Share capital ¹	Share premium reserve	Other reserves			Retained earnings	Total equity
			Cash Flow hedges	Available-for-sale investments	Defined benefit plans		
Opening balance at 1 Jan 2014	4,411	3,402	3	92	904	31,963	40,775
Total comprehensive income			62	102	-668	3,500	2,996
Share-based payments ²						15	15
Other changes						-7	-7
Closing balance at 30 Sep 2014	4,411	3,402	65	194	236	35,471	43,779

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

NOKm	Share capital ¹	Share premium reserve	Other reserves			Retained earnings	Total equity
			Cash Flow hedges	Available-for-sale investments	Defined benefit plans		
Opening balance at 1 Jan 2013	4,411	3,402	0	76	768	27,252	35,909
Total comprehensive income			9	17		3,343	3,369
Share-based payments ²						12	12
Other changes						0	0
Closing balance at 30 Sep 2013	4,411	3,402	9	93	768	30,605	39,288

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

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

Cash flow statements

NOKm	Jan-Sep 2014	Jan-Sep 2013	Full year 2013
Operating activities			
Operating profit	4,788	4,644	6,559
Adjustments for items not included in cash flow	3,462	3,111	1,082
Income taxes paid	-445	-346	-1,697
Cash flow from operating activities before changes in operating assets and liabilities	7,805	7,409	5,944
Changes in operating assets and liabilities	-2,935	-12,016	-12,992
Cash flow from operating activities	4,870	-4,607	-7,048
Investing activities			
Property and equipment	-222	23	-73
Intangible assets	-18	-23	-31
Net investments in debt securities, held to maturity	454	0	593
Cash flow from investing activities	214	0	489
Financing activities			
Other changes in equity	0	0	0
Issued/amortised Subordinate debt	0	0	0
Cash flow from financing activities	0	0	0
Cash flow for the period	5,084	-4,607	-6,559
Cash and cash equivalents at beginning of period	10,207	16,793	16,793
Translation differences	0	-25	-27
Cash and cash equivalents at end of period	15,291	12,161	10,207
Change	5,084	-4,607	-6,559
Cash and cash equivalents	30 Sep	30 Sep	31 Dec
The following items are included in cash and cash equivalents (NOKm):	2014	2013	2013
Cash and balances with central banks	5,007	2,387	2,600
Loans to credit institutions, payable on demand	10,284	9,774	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, except for the presentation of forward starting bonds and classification of dividend receivable on securities lending as described below.

Forward starting bonds

The presentation of forward starting bonds was changed in the fourth quarter 2013. See the 2013 Annual Report for further information. The comparative figures on the balance sheet have been restated accordingly and are disclosed in the table below.

Group	30 Sept 2013	
	New	Old
NOKm	policy	policy
Interest-bearing securities	77,090	77,240
Other liabilities	11,627	11,777

Classification of dividend receivable 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 and corporate finance" to "Savings and investments". The comparable figures have been restated accordingly and are disclosed in the table below.

NBN Group	Q3 2013		Jan-Sep 2013		Full year 2013	
	New	Old	New	Old	New	Old
NOKm	policy	policy	policy	policy	policy	policy
Fee and commission income	806	853	2 364	2 501	3 223	3 402
Fee and commission expense	-210	-257	-577	-714	-783	-962
Net fee and commission income	596	596	1 787	1 787	2 440	2 440

Exchange rates

	Jan-Sep	Full year	Jan-Sep
EUR 1 = NOK	2014	2013	2013
Income statement (average)	8.2276	7.8091	7.6340
Balance sheet (at end of period)	8.1190	8.3630	8.1140
USD 1 = NOK			
Income statement (average)	6.1094	5.8802	5.8193
Balance sheet (at end of period)	6.4524	6.0641	6.0082
SEK 1 = NOK			
Income statement (average)	0.9157	0.9025	0.8928
Balance sheet (at end of period)	0.8877	0.8989	0.9372
DKK 1 = NOK			
Income statement (average)	1.1097	1.0471	1.0274
Balance sheet (at end of period)	1.0908	1.1212	1.0880

Note 2 - Segment reporting¹

	Wholesale Banking								Group Corporate Centre				Wealth Management ⁴		Total Operating segments		Recon-ciliation ^{2,3}		Total Group	
	Retail Banking NO		CIB Total		Shipping, Offshore & Oil Services		Other Wholesale ^{3,4}		Jan-Sep		Jan-Sep		Jan-Sep		Jan-Sep		Jan-Sep		Jan-Sep	
	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep	Jan-Sep
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Total operating income, NOKm	6,909	6,651	1,366	1,460	1,131	1,024	593	636	2,851	2,575	-400	-347	12,450	11,999	-2,728	-2,672	9,722	9,327		
Operating profit, NOKm	3,509	3,474	647	295	878	646	102	109	2,539	2,363	-249	-218	7,426	6,669	-2,638	-2,025	4,788	4,644		
Loans to the public, NOKbn	403	384	30	38	45	39	3	0	0	0	0	0	481	461	0	0	481	461		
Deposits and borrowings from the public, NOKbn	172	162	42	41	11	12	0	0	0	0	0	0	225	215	0	0	225	215		

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	
	Jan-Sep 2014	Jan-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Sep 2014	Jan-Sep 2013
Total Operating segments	12,450	11,999	7,426	6,669	481	461	225	215
Reconciliation ²	-1,639	-1,388	-2,044	-1,341	0	0	0	0
Eliminations	-17	-125	0	0	0	0	0	0
Differences in accounting policies between the segments and the group regarding Markets ³	-1,072	-1,159	-594	-684	0	0	0	0
Total	9,722	9,327	4,788	4,644	481	461	225	215

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.

Note 2 - Segment reporting¹ 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, as well as for the operating segments Group Corporate Centre and Wealth Management. 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

	Q3	Q2	Q3	Jan-Sep	Jan-Sep	Full year
NOKm	2014	2014	2013	2014	2013	2013
Asset Management commissions	32	18	17	70	38	56
Life insurance	21	22	17	64	53	72
Brokerage, securities issues and corporate finance ¹	81	112	69	305	284	389
Custody and issuer services	63	56	50	165	144	202
Deposits	18	14	34	40	68	93
Total savings and investments	215	222	187	644	587	812
Payments	88	91	89	271	278	374
Cards	232	214	220	636	615	831
Total payment and cards	320	305	309	907	893	1,205
Lending	308	245	266	802	755	1,031
Guarantees and documentary payments	7	2	22	15	62	85
Total lending related commissions	315	247	288	817	817	1,116
Other commission income	35	48	22	143	67	90
Fee and commission income	885	822	806	2,511	2,364	3,223
Savings and investments ¹	-35	-35	-37	-103	-103	-136
Payments	-67	-80	-74	-212	-196	-268
Cards	-92	-92	-91	-267	-250	-344
Lending	-1	-3	0	-5	-1	-2
Other commission expenses	-7	-10	-8	-26	-27	-33
Fee and commission expenses	-202	-220	-210	-613	-577	-783
Net fee and commission income	683	602	596	1,898	1,787	2,440

¹ Restated. The categorisation of commission income and expense within "Net fee and commission income" has been changed. See note 1 Accounting policies for further details.

Note 4 - Net result from items at fair value

NOKm	Q3 2014	Q2 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	Full year 2013
Shares/participations and other share-related instruments	35	13	4	52	55	40
Interest-bearing securities and other interest-related instruments	80	87	21	275	230	234
Foreign exchange gains/losses	20	57	63	91	156	222
Investment properties	0	-1	3	2	8	16
Total	135	156	91	420	449	512

Note 5 - Other expenses

NOKm	Q3 2014	Q2 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	Full year 2013
Information technology	136	176	159	451	457	648
Marketing and representation	25	29	39	84	108	143
Postage, transportation, telephone and office expenses	39	42	47	136	145	186
Rents, premises and real estate expenses	103	124	103	322	305	406
Other	117	133	125	389	361	517
Total	420	504	473	1,382	1,376	1,900

Note 6 - Net loan losses

NOKm	Q3 2014	Q2 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	Full year 2013
Loan losses divided by class						
Loans to credit institutions	0	1	0	0	0	2
Loans to the public	-125	-286	-439	-788	-1,066	-1,363
- of which provisions	-228	-337	-275	-987	-1,128	-1,423
- of which write-offs	-67	-60	-272	-159	-735	-1,047
- of which allowances used to cover write-offs	50	43	59	116	445	674
- of which reversals	111	59	33	214	321	374
- of which recoveries	9	9	16	28	31	59
Off-balance sheet items	1	20	0	21	-12	-40
- of which provisions	1	0	0	1	-12	-41
- of which reversals	0	20	0	20	0	1
Total	-124	-265	-439	-767	-1,078	-1,401

Key ratios

	Q3 2014	Q2 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	Full year 2013
Loan loss ratio, basis points ¹	10	22	38	21	32	30
- of which individual	16	23	29	22	26	24
- of which collective	-6	-1	9	-1	6	6

¹ 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 their impairment

NOKm	Total			
	30 Sep 2014	30 Jun 2014	31 Dec 2013	30 Sep 2013
Loans, not impaired	502,653	503,852	494,787	473,495
Impaired loans	4,797	4,029	3,525	3,630
– Performing	2,584	2,067	1,227	1,072
– Non-performing	2,213	1,962	2,298	2,558
Loans before allowances	507,450	507,881	498,312	477,125
Allowances for individually assessed impaired loans	-2,513	-2,356	-1,791	-1,851
– Performing	-1,046	-839	-435	-381
– Non-performing	-1,467	-1,517	-1,356	-1,470
Allowances for collectively assessed impaired loans	-640	-710	-673	-606
Allowances	-3,153	-3,066	-2,464	-2,457
Loans, carrying amount	504,297	504,815	495,848	474,668

NOKm	Central banks and credit institutions				The public			
	30 Sep 2014	30 Jun 2014	31 Dec 2013	30 Sep 2013	30 Sep 2014	30 Jun 2014	31 Dec 2013	30 Sep 2013
Loans, not impaired	23,036	30,321	33,076	14,015	479,617	473,531	461,711	459,480
Impaired loans	0	0	0	0	4,797	4,029	3,525	3,630
– Performing	0	0	0	0	2,584	2,067	1,227	1,072
– Non-performing	0	0	0	0	2,213	1,962	2,298	2,558
Loans before allowances	23,036	30,321	33,076	14,015	484,418	477,560	465,236	463,110
Allowances for individually assessed impaired loans	0	0	0	0	-2,513	-2,356	-1,791	-1,851
– Performing	0	0	0	0	-1,046	-839	-435	-381
– Non-performing	0	0	0	0	-1,467	-1,517	-1,356	-1,470
Allowances for collectively assessed impaired loans	0	0	0	0	-640	-710	-673	-606
Allowances	0	0	0	0	-3,153	-3,066	-2,464	-2,457
Loans, carrying amount	23,036	30,321	33,076	14,015	481,261	474,494	462,772	460,653

Allowances and provisions

NOKm	30 Sep 2014	30 Jun 2014	31 Dec 2013	30 Sep 2013
Allowances for items in the balance sheet	-3,153	-3,066	-2,464	-2,457
Provisions for off balance sheet items	-32	-30	-47	-28
Total allowances and provisions	-3,185	-3,096	-2,511	-2,485

Key ratios

	30 Sep 2014	30 Jun 2014	31 Dec 2013	30 Sep 2013
Impairment rate, gross ¹ , basis points	97	79	71	76
Impairment rate, net ² , basis points	46	33	35	37
Total allowance rate ³ , basis points	64	60	49	51
Allowances in relation to impaired loans ⁴ , %	52	58	51	51
Total allowances in relation to impaired loans ⁵ , %	66	76	70	68
Non-performing, not impaired, NOKm	469	647	616	635

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 8 - Classification of financial instruments

NOKm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss		Derivatives used for hedging	Available for sale	Total
			Held for trading	Designated at fair value through profit or loss			
Financial assets							
Cash and balances with central banks	5,007	-	-	-	-	-	5,007
Loans to central banks and credit institutions	22,679	-	357	-	-	-	23,036
Loans to the public	477,662	-	3,599	-	-	-	481,261
Interest-bearing securities	-	5,866	44,245	-	-	32,091	82,202
Financial instruments pledged as collateral	-	-	1,203	-	-	-	1,203
Shares	-	-	328	1	-	37	366
Derivatives	-	-	834	-	2,523	-	3,357
Fair value changes of the hedged items in portfolio							
hedge of interest rate risk	460	-	-	-	-	-	460
Other assets	7,572	-	-	-	-	-	7,572
Prepaid expenses and accrued income	2,403	-	29	-	-	-	2,432
Total 30 Sep 2014	515,783	5,866	50,595	1	2,523	32,128	606,896
Total 31 Dec 2013	502,951	6,320	50,699	225	2,606	32,023	594,824

	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	Total
NOKm					
Financial liabilities					
Deposits by credit institutions	3,265	-	-	221,605	224,870
Deposits and borrowings from the public	69	-	-	224,874	224,943
Debt securities in issue	-	-	-	85,192	85,192
Derivatives	1,414	-	1,304	-	2,718
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	1,180	1,180
Other liabilities	1,564	-	-	6,874	8,438
Accrued expenses and prepaid income	102	-	-	3,147	3,249
Subordinated liabilities	-	-	-	8,611	8,611
Total 30 Sep 2014	6,414	0	1,304	551,483	559,201
Total 31 Dec 2013	3,046	713	1,039	544,961	549,759

Note 9 - Fair value of financial assets and liabilities

NOKm	30 Sep 2014		31 Dec 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	5,007	5,007	2,600	2,600
Loans	504,757	504,757	496,284	496,284
Interest-bearing securities	82,202	82,258	82,907	82,949
Financial instruments pledged as collateral	1,203	1,203	1,024	1,024
Shares	366	366	571	571
Derivatives	3,357	3,357	5,190	5,190
Other assets	7,572	7,572	3,632	3,632
Prepaid expenses and accrued income	2,432	2,432	2,616	2,615
Total	606,896	606,952	594,824	594,865
Financial liabilities				
Deposits and debt instruments				
Liabilities to policyholders	544,796	546,080	542,026	538,372
Derivatives	2,718	2,718	1,508	1,508
Other liabilities	8,438	8,438	4,624	4,624
Accrued expenses and prepaid income	3,249	3,249	1,601	1,601
Total	559,201	560,485	549,759	546,105

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 held at fair value on the balance sheet

Categorisation into the fair value hierarchy

	30 Sep 2014			
NOKm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet¹				
Loans to central banks and credit institutions		357		357
Loans to the public		3,599		3,599
Interest-bearing securities ²	26,794	50,323		77,117
Shares ³	640		148	788
Derivatives	4	3,353		3,357
Prepaid expenses and accrued income		29		29
Total 30 Sep 2014	27,438	57,661	148	85,247
Total 31 Dec 2013	37,037	48,382	336	85,755
Liabilities at fair value on the balance sheet¹				
Deposits by credit institutions		3,265		3,265
Deposits and borrowings from the public		69		69
Derivatives	3	2,715		2,718
Other liabilities	1,564			1,564
Accrued expenses and prepaid income		102		102
Total 30 Sep 2014	1,567	6,151	0	7,718
Total 31 Dec 2013	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 781m relates to the balance sheet item Financial instruments pledged as collateral.

³ Of which NOK 422m 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

Financial assets and liabilities with offsetting positions in market 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 transferred interest-bearing securities (including such financial instruments pledged as collateral) of NOK 164m from Level 1 to Level 2 and NOK 324m 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 quoted 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

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

NOKm	1 Jan	Fair value gains/losses recognised in the income statement during the year	Recognised in OCI	Purchases/ Issues	Sales	Translation differences	30 Sep
Asset							
Shares	133	0	0	15	0	0	148
Total 2014, net	133	0	0	15	0	0	148
Total 2013, net	124	3	0	1	-2	7	133

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".

Sensitivity of level 3 financial instruments

30 Sep 2014, NOKm	Carrying amount	Effect of reasonably possible alternative assumptions	
		Favourable	Unfavourable
Assets			
Shares	148	0	0

The valuation processes for fair value measurements in Level 3

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

These figures are according to part 8 of CRR

Summary of items included in own funds

	30 Sep 2014	31 Dec ¹ 2013	30 Sep 2013
NOKm			
Calculation of own funds			
Equity in the consolidated situation	40,279	40,775	35,946
Proposed/actual dividend			
Common Equity Tier 1 capital before regulatory adjustments	40,279	40,775	35,946
Deferred tax assets			0
Intangible assets	-110	-376	-386
IRB provisions shortfall (-)	-139	-282	-743
Deduction for investments in credit institutions (50%)		-0	-1
Pension assets in excess of related liabilities	-1		
Other items, net	-336	-97	-104
Total regulatory adjustments to Common Equity Tier 1 capital	-586	-755	-1,234
Common Equity Tier 1 capital (net after deduction)	39,692	40,019	34,712
Additional Tier 1 capital before regulatory adjustments	4,985	4,959	4,942
Total regulatory adjustments to Additional Tier 1 capital	0	0	0
Additional Tier 1 capital	4,985	4,959	4,942
Tier 1 capital (net after deduction)	44,677	44,978	39,655
Tier 2 capital before regulatory adjustments	3,549	3,376	3,391
IRB provisions excess (+)/shortfall (-)	0	-282	-743
Deduction for investments in credit institutions (50%)	0	-0	-1
Deductions for investments in insurance companies			
Pension assets in excess of related liabilities			
Other items, net	68		0
Total regulatory adjustments to Tier 2 capital	68	-282	-744
Tier 2 capital	3,617	3,093	2,648
Own funds (net after deduction)	48,294	48,071	42,302

¹ Including profit

Own Funds including profit

	30 Sep 2014	31 Dec 2013	30 Sep 2013
NOKm			
Common Equity Tier 1 capital, including profit	43,190	40,019	38,054
Total Own Funds, including profit	51,791	48,071	45,644

Note 11 - Capital adequacy cont.

Minimum capital requirement and REA

	30 Sep 2014	30 Sep 2014	31 Dec 2013	31 Dec 2013	30 Sep 2013	30 Sep 2013
	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
NOKm						
Credit risk	14,234	177,928	16,170	202,128	16,029	200,364
IRB	12,909	161,357	14,827	185,342	14,760	184,501
- of which corporate	9,841	123,016	12,484	156,051	12,414	155,178
- of which advanced	9,296	116,197	0	0	0	0
- of which foundation	545	6,818	12,484	156,051	12,414	155,178
- of which institutions	283	3,532	308	3,851	298	3,720
- of which retail	2,505	31,311	1,862	23,276	1,879	23,489
- of which other	280	3,499	173	2,164	169	2,114
Standardised	1,326	16,571	1,343	16,786	1,269	15,863
- of which central governments or central banks	0	0	0	1	0	2
- of which regional governments or local authorities	14	180	14	172	14	180
- of which public sector entities	0	0	0	0	0	0
- of which multilateral development banks	0	0	0	0	0	0
- of which international organisations	0	0	0	0	0	0
- of which institutions	609	7,614	599	7,491	488	6,100
- of which corporate	6	75	66	822	124	1,551
- of which retail	481	6,018	573	7,159	550	6,879
- of which secured by mortgages on immovable property	0	0	0	0	0	0
- of which in default	6	76	20	249	21	258
- of which associated with particularly high risk	0	0	0	0	0	0
- of which covered bonds	0	0	0	0	0	0
- of which institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
- of which collective investments undertakings (CIU)	0	0	0	0	0	0
- of which equity	10	124	0	0	0	0
- of which other items	199	2,485	71	894	71	893
Credit Value Adjustment Risk	15	190				
Market risk	299	3,741	179	2,237	136	1,706
- of which trading book, Internal Approach	189	2,362	94	1,180	70	879
- of which trading book, Standardised Approach	16	195	85	1,057	66	826
- of which banking book, Standardised Approach	95	1,185	0	0	0	0
Operational risk	1,744	21,806	1,677	20,957	1,677	20,957
Standardised	1,744	21,806	1,677	20,957	1,677	20,957
Sub total	16,293	203,665	18,026	225,322	17,842	223,027
Adjustment for Basel I floor						
Additional capital requirement according to Basel I floor	10,889	136,117	7,683	96,043	7,440	93,001
Total	27,183	339,782	25,709	321,366	25,282	316,028

Note 11 - Capital adequacy cont.

Minimum Capital Requirement & Capital Buffers

Percentage	Minimum Capital requirement	Capital Buffers					Total
		CCoB	CCyB	SII	SRB	Capital Buffers total	
Common Equity Tier 1 capital	4.50%	2.50%	N/A	N/A	3.00%	5.50%	10.00%
Tier 1 capital	6.00%	2.50%	N/A	N/A	3.00%	5.50%	11.50%
Own funds	8.00%	2.50%	N/A	N/A	3.00%	5.50%	13.50%

CCyB will increase to 1 % of CET1 in Q2 2015, and SII will increase to 1 % of CET1 in Q3 2015

NOKm

Common Equity Tier 1 capital	15,290	8,495	N/A	N/A	10,193	18,688	33,978
Tier 1 capital	20,387	8,495	N/A	N/A	10,193	18,688	39,075
Own funds	27,183	8,495	N/A	N/A	10,193	18,688	45,871

Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	30 Sep 2014
Common Equity Tier 1 capital	10.4

Capital ratios

Percentage	30 Sep 2014	31 Dec 2013	30 Sep 2013
Common Equity Tier 1 capital ratio, including profit	21.2	17.8	17.1
Tier I ratio, including profit	23.7	20.0	19.3
Total Capital ratio, including profit	25.4	21.3	20.5
Common Equity Tier 1 capital ratio, excluding profit	19.5	15.7	15.6
Tier I ratio, excluding profit	21.9	17.9	17.8
Total Capital ratio, excluding profit	23.7	19.2	19.0

Capital ratios including transitional rules

	30 Sep 2014	31 Dec 2013	30 Sep 2013
Common Equity Tier 1 capital ratio, including profit	12.7	12.5	12.0
Tier I ratio, including profit	14.2	14.0	13.6
Total Capital ratio, including profit	15.2	15.0	14.4
Common Equity Tier 1 capital ratio, excluding profit	11.7	11.0	11.0
Tier I ratio, excluding profit	13.1	12.5	12.5
Total Capital ratio, excluding profit	14.2	13.5	13.4

Leverage ratio

	30 Sep 2014
Tier 1 capital, transitional definition, NOKm	44,677
Leverage ratio exposure, NOKm	740,038
Leverage ratio, percentage	6.0

Note 11 - Capital adequacy cont.

Additional information on exposures for which internal models are used

	On-balance exposure, NOKm	Off-balance exposure, NOKm	Exposure value (EAD), NOKm ¹	Of which EAD for off-balance, NOKm	Exposure- weighted average risk weight:
Corporate, foundation IRB:	10,080	748	10,691	561	63,8
- of which rating grades 6	69	7	74	5	16,0
- of which rating grades 5	1,489	159	1,674	119	31,5
- of which rating grades 4	5,183	459	5,588	344	61,6
- of which rating grades 3	2,760	122	2,793	92	89,7
- of which rating grades 2	136	1	132	1	153,7
- of which rating grades 1	33	0	32	0	197,3
- of which unrated	68	0	58	0	109,2
- of which defaulted	343	0	339	0	0,0
Corporate, advanced IRB:	218,713	84,461	261,257	42,837	44,5
- of which rating grades 6	3,470	7,474	7,202	3,704	15,9
- of which rating grades 5	43,681	34,455	62,246	17,538	25,4
- of which rating grades 4	125,940	35,822	144,060	18,231	43,0
- of which rating grades 3	36,483	5,121	38,262	2,775	59,7
- of which rating grades 2	4,300	395	4,561	213	120,3
- of which rating grades 1	382	18	363	10	136,9
- of which unrated	716	799	879	366	86,3
- of which defaulted	3,741	376	3,684	0	207,3
Institutions, foundation IRB:	42,024	3,329	44,386	1,349	8,0
- of which rating grades 6	37,544	69	38,414	479	5,6
- of which rating grades 5	4,125	1,114	5,579	835	17,9
- of which rating grades 4	266	2,135	296	26	77,2
- of which rating grades 3	14	0	15	0	110,6
- of which rating grades 2	0	0	0	0	190,3
- of which rating grades 1	0	0	0	0	233,9
- of which unrated	74	10	82	8	156,0
- of which defaulted	0	0	0	0	0,0
Retail, of which secured by real estate:	195,976	17,602	201,589	5,613	11,3
- of which scoring grades A	143,896	15,550	148,819	4,923	4,6
- of which scoring grades B	26,059	1,158	26,437	378	10,8
- of which scoring grades C	11,589	394	11,728	138	22,2
- of which scoring grades D	6,375	188	6,446	71	42,3
- of which scoring grades E	5,576	291	5,671	96	66,3
- of which scoring grades F	1,262	14	1,266	5	111,2
- of which not scored	116	2	116	1	39,4
- of which defaulted	1,103	4	1,105	1	221,5
Retail, of which other retail:	33,991	11,413	39,070	5,080	22,0
- of which scoring grades A	18,556	7,761	21,900	3,344	7,9
- of which scoring grades B	6,054	1,636	6,813	761	17,0
- of which scoring grades C	3,087	948	3,541	454	32,2
- of which scoring grades D	1,965	504	2,217	254	46,7
- of which scoring grades E	3,310	409	3,501	190	49,5
- of which scoring grades F	418	36	435	17	75,1
- of which not scored	104	83	146	42	42,5
- of which defaulted	497	38	516	18	276,6
Other non credit-obligation assets:	4,160	0	3,665	0	95,5

Nordea does not have the following IRB exposure classes: equity exposures, items representing securitisation positions, central governments and central banks, qualifying revolving retail

¹Includes EAD for on-balance, off-balance, derivatives and securities financing

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 has 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	Q3 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	Full year 2013
Operating income					
Interest income	3,857	3,738	11,487	11,252	15,115
Interest expense	-2,034	-2,060	-6,205	-6,264	-8,377
Net interest income	1,823	1,678	5,282	4,988	6,738
Fee and commission income ¹	845	809	2,384	2,228	3,041
Fee and commission expense ¹	-200	-255	-606	-569	-772
Net fee and commission income	645	554	1,778	1,659	2,269
Net result from items at fair value	144	90	436	419	482
Dividends and group contribution	0	0	675	14	14
Other operating income	52	67	166	191	270
Total operating income	2,664	2,389	8,337	7,271	9,773
Operating expenses					
General administrative expenses:					
Staff costs	-678	-667	-2,331	-2006	-2532
Other expenses	-411	-439	-1,322	-1304	-1801
Depreciation of tangible and intangible assets	-225	-34	-308	-108	-146
Total operating expenses	-1,314	-1,140	-3,961	-3,418	-4,479
Profit before loan losses	1,350	1,249	4,376	3,853	5,294
Net loan losses	-119	-423	-716	-1033	-1340
Operating profit	1,231	826	3,660	2,820	3,954
Appropriations					
Income tax expense	-321	-247	-983	-802	-1180
Net profit for the period	910	579	2,677	2,018	2,774

¹ Figures for 2013 are restated, see Note 1 Accounting Policies for further detail.

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Balance sheets

Balance sheets

	30 Sep 2014	31 Dec 2013	30 Sep 2013
NOKm			
Assets			
Cash and balances with central banks	5,007	2,595	2,384
Loans to central banks and credit institutions	51,996	70,555	54,319
Loans to the public	344,919	326,194	322,369
Interest-bearing securities ¹	98,652	104,067	98,250
Financial instruments pledged as collateral	1,203	1,024	240
Shares	365	572	284
Derivatives	3,614	5,592	4,781
Fair value changes of the hedged items in portfolio hedge of interest rate risk	371	348	342
Investments in group undertakings	5,528	5,042	5,039
Investments in associated undertakings	417	417	417
Intangible assets	85	318	330
Property and equipment	552	361	270
Investment property	1	10	11
Other assets	9,142	4,373	7,941
Prepaid expenses and accrued income	1,587	1,744	1,901
Total assets	523,439	523,212	498,878
Liabilities			
Deposits by credit institutions	224,923	243,143	218,383
Deposits and borrowings from the public	224,974	218,875	214,582
Debt securities in issue	5,649	3,147	3,147
Derivatives	5,065	4,027	3,429
Fair value changes of the hedged items in portfolio hedge of interest rate risk	13	-58	-50
Current tax liabilities	905	0	787
Other liabilities ¹	10,928	8,511	11,266
Accrued expenses and prepaid income	3,333	1,271	3,502
Deferred tax liabilities	403	555	724
Provisions	194	119	259
Retirement benefit obligations	2,143	1,098	1,260
Subordinated liabilities	8,616	8,294	8,247
Total liabilities	487,146	488,982	465,536
Untaxed reserves			
Equity			
Share capital	4,411	4,411	4,411
Share premium reserve	3,402	3,402	3,402
Other reserves	396	1,017	883
Retained earnings	28,084	25,400	24,646
Total equity	36,293	34,230	33,342
Total liabilities and equity	523,439	523,212	498,878
Assets pledged as security for own liabilities	61,883	68,777	63,997
Contingent liabilities	6,471	5,811	5,727
Commitments	115,808	123,635	118,950

¹Comparative figures for 30 September have been restated due to changed accounting policy for recognition of forward starting bonds. See Note 1, Accounting policies of the Annual Report for 2013 for further information.

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