Nordea

Annual Report 2015

Nordea Bank Norge

Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. We are making it possible for our customers to reach their goals by providing a wide range of products, services and solutions within banking, asset management and insurance. Nordea has around 11 million customers, approximately 650 branch office locations and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the NASDAQ Stockholm, NASDAQ Helsinki and NASDAQ Copenhagen exchanges.

Contents

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

Nordea Bank Norge Group

Key financial figures

Group

Business volumes, key items

	2015	2014	Change %	2013	2012	2011
Total operating income, NOKm	12,829	13,173	-3	12,685	12,083	11,336
Total operating expenses before loan losses[2], NOKm	5,364	5,498	-2	4,725	4,989	5,323
Profit before loan losses[2], NOKm	7,465	7,675	-3	7,960	7,094	6,013
Net loan losses, NOKm	770	821	-6	1,401	958	1,432
Operating profit[2], NOKm	6,695	6,854	-2	6,559	6,136	4,581
Net profit for the year[2], NOKm	5,123	4,963	3	4,701	4,440	3,347
Loans to the public, NOKbn	512.0	499.9	2	462.8	456.0	464.4
Deposits and borrowings from the public, NOKbn	240.4	236.8	2	218.9	219.0	223.2
Equity[2], NOKbn	56.6	45.1	26	40.8	35.9	30.4
Total assets[3], NOKbn	660.4	649.7	2	598.1	574.0	589.3

Ratios and key figures

	2015	2014	2013	2012	2011[4]
Earning per share (EPS)[2], NOK	9.3	9.0	8.5	8.1	6.1
Equity per share[1,2], NOK	102.7	81.8	74.0	65.1	55.2
Shares outstanding[1], million	551	551	551	551	551
Return on equity[2], %	9.9	11.6	12.3	14.5	11.6
Return on assets, %	0.8	0.8	0.8	0.8	0.6
Cost/income ratio[2], %	42	42	37	42	47
Loan loss ratio, basis points	15	16	30	19	32
Core tier 1 capital ratio, excluding transition rules[1], %	25.2	21.7	17.8	14.6	10.1
Tier 1 capital ratio, excluding transition rules[1], %	27.4	24.2	20.0	16.7	12.0
Total capital ratio, excluding transition rules[1], %	29.6	26.3	21.3	17.6	13.4
Core tier 1 capital ratio[1], %	15.7	12.7	12.5	10.7	8.0
Tier 1 capital ratio[1], %	17.0	14.2	14.0	12.3	9.5
Total capital ratio[1], %	18.4	15.4	15.0	13.0	10.6
Core tier 1 capital[1], NOKm	55,674	44,552	40,019	33,774	26,302
Tier 1 capital[1], NOKm	60,351	49,739	44,978	38,589	31,239
Risk-weighted assets, including transition rules[1], NOKbn	354	351	321	314	329
Number of employees[1] (full-time equivalents)	2,645	2,703	2,862	2,889	3,132

[1] End of period.

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

[3] Figures for 2012 are restated due to forward starting bonds in 2013.

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

Quarterly development[1]

NOKm	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	YTD 2015	YTD 2014
Net interest income	2,307	2,350	2,292	2,385	2,471	2,468	2,426	2,443	9,334	9,808
Net fee and commission income	605	658	650	687	770	683	602	613	2,600	2,668
Net result from items at fair value	16	-26	106	306	200	135	156	129	402	620
Profit/-loss from the companies accounted for under the equity method	49	140	33	35	-19	9	-30	-18	257	-58
Other income	104	44	46	42	29	31	42	33	236	135
Total operating income	**3,081**	**3,166**	**3,127**	**3,455**	**3,451**	**3,326**	**3,196**	**3,200**	**12,829**	**13,173**
General administrative expenses										
Staff costs	-1,012	-757	-745	-775	-735	-716	-971	-766	-3,289	-3,188
Other expenses	-602	-446	-440	-452	-566	-420	-504	-458	-1,940	-1,948
Depreciation, amortisation and impairment charges of tangible and intangible assets	-37	-33	-33	-32	-30	-243	-52	-37	-135	-362
Total operating expenses before loan losses	**-1,651**	**-1,236**	**-1,218**	**-1,259**	**-1,331**	**-1,379**	**-1,527**	**-1,261**	**-5,364**	**-5,498**
Profit before loan losses	**1,430**	**1,930**	**1,909**	**2,196**	**2,120**	**1,947**	**1,669**	**1,939**	**7,465**	**7,675**
Net loan losses	-196	-122	-190	-262	-54	-124	-265	-378	-770	-821
Operating profit	**1,234**	**1,808**	**1,719**	**1,934**	**2,066**	**1,823**	**1,404**	**1,561**	**6,695**	**6,854**
Income tax expense[2]	-185	-461	-469	-457	-604	-471	-377	-439	-1,572	-1,891
Net profit for the period	**1,049**	**1,347**	**1,250**	**1,477**	**1,462**	**1,352**	**1,027**	**1,122**	**5,123**	**4,963**

[1] The quarterly figures are unaudited

Nordea Bank Norge Group - Five year overview

Income statements

NOKm	2015	2014	2013	2012	2011
Net interest income	9,334	9,808	9,391	8,896	8,349
Net fee and commission income	2,600	2,668	2,440	2,412	2,265
Net result from items at fair value	402	620	512	456	343
Profit from associated undertakings accounted for under the equity method	257	-58	139	136	194
Other operating income	236	135	203	183	185
Total operating income	**12,829**	**13,173**	**12,685**	**12,083**	**11,336**
General administrative expenses:					
Staff costs	-3,289	-3,188	-2,674	-2,930	-3,209
Other expenses	-1,940	-1,948	-1,900	-1,856	-1,954
Depreciation, amortisation and impairment charges of tangible and intangible assets	-135	-362	-151	-203	-160
Total operating expenses before loan losses	**-5,364**	**-5,498**	**-4,725**	**-4,989**	**-5,323**
Profit before loan losses	**7,465**	**7,675**	**7,960**	**7,094**	**6,013**
Net loan losses	-770	-821	-1,401	-958	-1,432
Operating profit	**6,695**	**6,854**	**6,559**	**6,136**	**4,581**
Income tax expense	-1,572	-1,891	-1858	-1696	-1234
Net profit for the year	**5,123**	**4,963**	**4,701**	**4,440**	**3,347**

Balance sheets

NOKm	2015	2014	2013	2012	2011
Cash and balances with central banks	6,860	2,499	2,600	3,836	5,299
Loans to central banks and credit institutions	14,131	17,863	33,076	17,798	26,943
Loans to the public	512,018	499,922	462,772	455,990	464,403
Interest-bearing securities and pledged instruments	107,935	92,966	83,931	83,057	75,591
Derivatives	11,612	11,951	5,190	1,466	5,803
Other assets	7,886	24,539	10,551	11,532	11,274
Total assets	**660,442**	**649,740**	**598,120**	**573,679**	**589,313**
Deposits by credit institutions	245,461	239,053	243,146	228,997	239,470
Deposits and borrowings from the public	240,430	236,754	218,862	218,952	223,195
Debt securities in issue	90,759	84,664	70,977	65,793	51,471
Derivatives	1,622	1,732	1,508	2,075	2,005
Subordinated liabilities	10,625	9,471	8,294	7,879	9,394
Other liabilities	14,901	32,946	14,558	14,074	33,366
Equity	56,644	45,120	40,775	35,909	30,412
Total liabilities and equity	**660,442**	**649,740**	**598,120**	**573,679**	**589,313**

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Nordea Bank Norge Board of Directors' report

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

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

Group organisation

As part of the Nordea Group, NBN operates in the banking business. All the operations of NBN are integrated in the operations of the Nordea Group, and the Nordea Bank AB Annual Report, with activities and earnings reported by the business areas, encompasses all the operations of NBN.

Legal structure

The board of directors of each of Nordea Bank AB (publ),Nordea Bank Danmark A/S, Nordea Bank Finland Abp and Nordea Bank Norge ASA has signed merger plans with the purpose to change the Norwegian, Danish and Finnish subsidiary banks to branches of the Swedish parent company by means of cross border mergers. By simplifying and changing into a branch structure Nordea will strengthen its governance, decrease the administrative complexity and make it possible to operate as One Bank. The proposed changes in legal structure depend on approval and a satisfactory outcome of the discussions with the authorities in each country (and by approval by Nordea Bank AB (publ) shareholders at the Annual General Meeting). The mergers are planned to be executed around year end 2016.

Subsidiaries and foreign branches

NBN ASA has subsidiaries in Norway of which the most significant are Nordea Eiendomskreditt AS (NE) and Nordea Finans Norge AS (NFN). NBN ASA has no foreign branches after the branches in New York and Cayman Islands were closed in 2013. NBN ASA has no foreign representative offices.

In the following sections NBN Group's figures are commented. The difference between NBN Group's figures and the parent company's figures are in all major aspects small, other than the covered bonds setup.

NE is used as a vehicle to secure competitive funding by issuing covered bonds secured with household mortgage loans. During 2010, the risk in the household mortgage loans was transferred to NE, thus derecognition of the loans in NBN ASA and recognition in NE was performed. NBN Group figures remain unchanged. In 2015 a total of NOK 9.4bn in covered bonds were issued in NE.

NFN has the business area responsibility for financing products in Norway. The company's main products are leasing, car financing, factoring and consumer credits.

Macroeconomic and financial market development

The fourth quarter of 2015 marked the end of a year in which global economic growth slowed down to the lowest rate of expansion since 2009. While the recovery in advanced economies gained some momentum activity in Emerging Markets slowed down, primarily driven by China and commodity-producing countries. In Europe, economic growth remained slow but positive in Q4, with improving labour markets and private consumption as key drivers of economic activity. The low and sluggish inflation in Europe, however, remained a concern for the governing council of the European Central Bank during the quarter. In order to spur inflation, the European Central Bank lowered its Deposit Facility Rate to -0.3% from -0.2%, along with extending the quantitative easing programme until at least March 2017. In the US, the economy continued to show signs of stable growth, supported by strong labour- and housing markets. The US labour market continued to improve in a healthy fashion as 200 000 jobs per month were added to the economy and unemployment dropped to 5.0%, the lowest level since 2008. In addition, wage pressures begun to cautiously resurface. At the December meeting, the Federal Reserve delivered on its guidance to hike interest rates by 0.25% to a target range of 0.25-0.50%. Commodities underperformed in Q4 spurred by a fear of a slow-down in the global economy driven by China, with crude oil prices 17.9% lower in Q4. Fixed income markets were volatile in Q4 but ended the quarter with 10y German yields 4bps higher and US 10y yields 6 bps lower. Volatility was also high in equity markets, with strong initial Q4 performance, after a poor Q3, but towards year-end equity markets rebounded. The US and European equity markets ended 5.4% and 6.5% higher in Q4, respectively, while the EUR weakened 2.8% against the USD.

The Norwegian economy showed further signs of slowdown in the fourth quarter. Business surveys, GDP figures and labour market data indicated that the weakness was mainly driven by the continued downward pressure in oil and energy prices. Unemployment increased in oil-related counties on the west coast and was flat to down in the rest of the country. Consumer confidence weakened, raising concerns regarding forward prospects for private consumption while core inflation increased to around 3% y/y, predominantly caused by a weaker currency. Norges Bank kept policy rates unchanged during the quarter while assessing a high likelihood of additional easing in the first half of 2016. Norwegian equities increased 4% in the fourth quarter while 10-year government yields were close to unchanged. The Norwegian Krone weakened by 1.5% in trade-weighted terms.

Business development in 2015

Net profit increased by 3% in 2015 compared to 2014 and loan loss ratio decreased to 15 basis points from 16 basis points.

2015 was however a challenging year with pressure on margins, geopolitical tensions and market turmoil. Total income decreased with 3%, driven to a large extent by lower margins from lending. Net fee and commission income was positively affected by an increase in savings related income but this was offset by a decrease in commissions from lending. Total expenses, excluding non-recurring items, were unchanged.

Nordea has launched new digital services, for example an updated mobile bank with easy access features such as touch ID and pre-authentication in the chat and call functions. Customers continue to appreciate the accessibility of online meetings and Nordea continues its ambitions in developing new digital solutions for corporate and household customers even further.

The coming three years will be a transition period in which Nordea will execute on a transformational change agenda in order to generate a truly digital bank. This change agenda is driven by changed customer behaviour, a shift in technology and regulatory requirements. Nordea will initiate certain key activities to manage the transition efficiently, which will lead to a restructuring charge in NBN.

Retail banking

Relationship banking is a main driver for customer satisfaction and shareholder value creation. 2015 was characterized by increased business volumes within household, risk pricing and optimal use of capital within corporate. Savings improved further with high income growth compared both to last quarter and last year. Non-interest income increased mainly from Net result from items at fair value where sales of debt portfolio gave a large contribution.

The swift transformation of our customers' behaviour continues, and with increasing use of our online services our customers experience increased flexibility. The number of online meetings improved significantly during the year and more than 15% of all household meetings in the last quarter were held online.

Wholesale banking

Capital markets

Overall 2015 was a very active year for FX and Interest rate hedging with volatile markets and new extreme levels in most markets. Investment products had a good year with general increase in savings activity across most asset classes and market volatility, giving interesting investment opportunities. NBNs position as the leading provider of markets services across the asset classes was yet again confirmed through top-positions in the Prospera-surveys for FX, Derivatives & Fixed Income, and the fastest improving position in Equities.

NBN also came second in the overall League Table for Managers in the Norwegian bond market with a strong 24% market share.

Corporate & Institutional Banking

In CIB Norway the deal activity has been lower than last year, in line with the negative development in the Norwegian economy. Lending volumes have been fairly stable, however the competition in the market for corporate lending continuous to be tough.

Shipping, Offshore & Oil Services

Total income increased in 2015 mainly due to an increase in loan volumes which was partly supported by currency effects caused by a stronger US-dollar. Net fee and commission income were relatively stable compared to last year and operating profit was in line with 2014.
The offshore market continues to be affected by low oil prices and reduced exploration and oil production spending among oil and gas companies.

Result summary for 2015

Income

Total operating income was NOK 12,829m (13,173), a decrease of 3%, mainly driven by lower Net interest income and Net results from items at fair value.

Net interest income decreased by 5% to NOK 9,334m (9,808). The decrease compared to 2014 stems from lower lending margins across all major business areas and reflects the current market conditions with offered rates at lower levels.

Household lending spreads are down due to interest rate reductions. Retail banking corporate, CIB and Shipping are all down as an effect of higher competition. The decrease in income is partly offset by improved spreads for deposits and growth of volume in both lending and deposits.

Lending to the public increased 2% to NOK 512.0bn. Retail Household activity continued to provide growth while Retail Corporate showed a decrease at year end compared to one year ago. The large fluctuations in the currency rate, with the NOK weakening against the USD and Euro, had a positive effect on lending balances, mainly in Shipping and CIB.

Net deposit volumes increased 2% to NOK 240.4bn at year end. Average deposit volume increased across all major areas with the exception of Retail banking corporate.

Deposit margins are up in Household and Retail banking corporate, following lower interest rates. There is a decrease in CIB reflecting a strong competition in the market for deposits and cash management mandates.

Net fee and commission income is down 3% to NOK 2,600m. Savings related commissions are experiencing a growth, while there is lower income from lending related commission as a result of lower business driven activities. Net result on items at fair value decreased from NOK 620m to NOK 402m. Retail had a good year where sale of debt portfolio gave a large contribution. This is offset, mainly in the second half of the year, by reduced contribution from Treasury where a tightening of spreads following increased market volatility had a negative effect on the liquidity buffer valuation.

Profit/-loss from associated undertakings accounted for under the equity method was NOK 258m for 2015, compared to a negative result of NOK 58m last year. The result is mainly related to Eksportfinans ASA, where compared to 2014, there were positive credit effects in 2015, contributing to unrealised gains on the valuation of Eksportfinans own debt. Reduced employee related expenses and an increase in other financial instruments at fair value also contributed to the increase. Reduced interest income from decreasing lending volumes partly offsets the increase. As from fourth quarter 2011, Nordea has applied its own valuation model towards the valuation of Eksportfinans' own debt, for further information see Note 19 Investments in associated undertakings.

Other operating income ended at 236m 2015, an increase of 101m from last year. The increase is mainly due to a capital gain from the sale of Merchant Acquiring business to Nets.

Expenses
Total operating expenses before loan losses decreased 2% to NOK 5,364m. Adjusted for non-recurring effects last year (ACE 258m in Q2 and IT Impairment 194m in Q3) and this year (restructuring charge of 308m in Q4) the development is unchanged.

Staff costs were up 3%. Adjusted for the aforementioned non-recurring effects, staff costs are up 2% compared to 2014. The number of full-time equivalents (FTE) at end of period was reduced by 2% and ended at NOK 2,645m. Other expenses at NOK 1,944m are in line with last year, but down 1% adjusted for non-recurring effects. The decrease is mainly explained by lower IT costs, a reduction in marketing and lower office expenses.

Net loan losses
Net loan losses decreased 6% to NOK 770m, from NOK 821m in 2014. Adjusted for technical reallocation in fourth quarter between entities in Nordea (without effect for the Group) loan losses would have been NOK 923m, an increase of 12%. In 2015 individual loan reversals increased but were partly offset by higher collective provisions following the general market development. The trend for loan losses being concentrated across a few corporate customers continued in 2015. Impaired loans gross are stable at up 1% from last year. The net loan loss ratio at the end of the year was 15 basis points compared to 16 basis points in 2014. Individual loan losses amounted to 11 basis points, while collective loan losses net amounts to 4 basis points.

Taxes
The income tax expense was NOK 1,572m, giving an effective tax rate of 23.5% (27.6) for NBN Group and 24.7% (26.9) for the parent company. The difference between the effective tax rate and the expected tax rate of 27 % in 2015 mainly stems from a change in tax rate for 2016.

Net profit
The net profit for the year rose 3% and amounted to NOK 5,123m (4,963), and adjusted for aforementioned non-recurring effects, net profit rose 1%. The return on equity was 9.9%.

Comments on the Balance Sheets - financial structure
Total assets grew by 2%, to NOK 660bn at the end of 2015. The Norwegian Krone (NOK) weakened towards EUR and USD compared to 2014.

Assets
The increase of 10,7bn on the asset side of the balance sheet is explained by three main drivers. Growth in loans to the public amounted to 12bn, driven by a large extent of Retail Household. The increase in interest-bearing securities relates to Nordea's liquidity buffer management. Other assets decreased due to a large receivable on securities settlement agreements last year.

Liabilities and funding activities
Total liabilities are marginally down to NOK 604bn. Debt securities in issue increased by 4bn. This was driven by higher funding base from the issuance of uncovered and covered bonds in Nordea Eiendomskreditt AS and NBN ASA. Deposits from the public increased 4bn, mainly in Retail Household, and other liabilities decreased related to settlement payables on securities settlement last year. Deposits from credit institutions within the Nordea Group amounts to 81% (86) of total deposits from credit institutions. This is a reflection of the advantage of having four home markets to utilise in managing Nordea's liquidity and funding positions.

Equity
Shareholder's equity grew 26% and ended at NOK 57bn. NBN received a capital injection of 6bn in the second

quarter of 2015. The increase also includes net profit for the year of NOK 5,123m.

Appropriation of net profit for the year

The net profit in the parent company for the year amounted to NOK 4,732m, up 26%, from NOK 3,762 last year. The increase is to a large extent attributable to group contribution received from a subsidiary during 2015.

According to IFRS, distribution of group contributions and dividends will not be booked before formal decision is made in the General Assembly. All net profit as of 31 December 2015 will therefore be distributed to retained earnings in the balance sheet as of 31 December 2015. As a part of the strategy for NBN, no dividend is planned to be paid from the 2015 earnings in order to strengthen the capital adequacy levels. For the General Assembly 25 February 2016 it will be proposed that the net profit for 2015 be retained within NBN.

Nordea's funding and liquidity operations

Approximately NOK 9.4bn of covered bonds were issued during the year. For further information on liquidity management see pages14-15.

Off-balance sheet commitments

The bank's business operations include different off-balance sheet items, mainly guarantees and credit commitments. For total exposure regarding these items, see Note 35 Contingent liabilities and Note 36 Commitments.

Other Information

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

The Board of Directors considers the solidity as per 31 December 2015 to be healthy.

NBN is not engaged in significant research and development activities.

Risk, liquidity and capital management

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

Management principles and control

Group Board of Directors and Board Risk Committee

The Group Board has the ultimate responsibility for limiting and monitoring the NBN's risk exposure as well as for setting the targets for the capital ratios. Risk is measured and reported according to common principles and policies approved by the Group Board, which also decides on policies for credit risk, counterparty credit risk, market risk, liquidity risk, life Insurance risk, business risk, operational risk and compliance risk as well as the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP). All policies are reviewed at least annually.

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

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

Responsibility of CEO and GEM

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

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

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

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

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

the respective limits within the unit and may introduce more detailed limits and other risk mitigating techniques such as stop-loss rules.
- The Risk Committee has established sub-committees for its work and decision-making within specific risk areas.

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

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

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

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

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

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

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

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

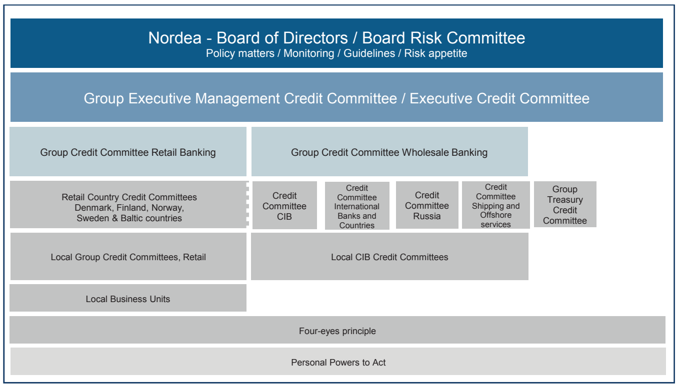
Disclosure requirements of the CRR – Capital and Risk Management Report 2015
Additional and more detailed information on risk and capital management is presented in the Capital and Risk Management Report 2015, in accordance with the Capital Requirements Regulation (CRR), which is based on the Basel III framework issued by the Basel Committee on Banking Supervision. The report is available at www.nordea.com.

Risk management

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

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

Credit Decision-making structure for main operations



*Making decisions and allocations within limits approved by ECC

Credit risk definition and identification

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

Credit risk mitigation

Credit risk mitigation is an inherent part of the credit decision process. In every credit decision and review, the valuation of collaterals is considered as well as the adequacy of covenants and other risk mitigations. Pledging of collateral is the main credit risk mitigation technique. In corporate exposures, the main collateral types are real estate mortgages, floating charges and leasing objects. Collateral coverage is higher for exposures to financially weaker customers than for those who are financially strong. Regarding large exposures, syndication of loans is the primary tool for managing concentration risk, while credit risk mitigation by the use of credit default swaps is applied to a limited extent. Covenants in credit agreements are an important complement to both secured and unsecured exposures. Most exposures of substantial size and complexity include appropriate covenants. Financial covenants are designed to react to early warning signs and are carefully monitored.

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

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

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

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

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

Credit portfolio

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

NBN's total loans increased by 2%, excluding loans and receivables to credit institutions, to NOK 512bn during 2015 (NOK 500bn). This was mainly attributable to an increase in the household of 9% and a decrease in the corporate portfolio by 4%. Including off-balance sheet exposures and exposures related to securities, the total credit risk exposure at year end was NOK 766bn (NOK 748bn). Out of total lending to the public, corporate customers accounted for 50% (53 %) and household customers 50% (47 %). Loans to central banks and credit institutions, mainly in the form of inter-bank deposits, decreased to NOK 14bn (NOK 18bn) at the end of 2015.

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

NOKm	31 Dec 2015	31 Dec 2014
To credit institutions	**14,131**	**17,863**
To the public	512,018	499,922
- of which corporate	253,352	252,921
- of which household	258,446	236,793
- of which public sector	220	10,207
Total Loans and Receivables	**526,149**	**517,785**
Off-balance credit exposure [1]	118,390	121,933
Counterparty risk exposure	15,445	15,979
Treasury bills and interest-bearing securities [2]	107,860	92,691
Total credit risk exposure	**767,844**	**748,388**

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

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

Loans to corporate customers

Loans to corporate customers at the end of 2015 decreased to NOK 254bn (NOK 263bn). Other financial Institutions, Shipping and Offshore and Utilities were the sectors that increased the most. While Industrial Commercial Services, Real Estate Management and Investment and Energy (oil, gas etc.) were the sectors that decreased the most. Real estate remains the largest sector in NBN's lending portfolio, at NOK 80bn (NOK 83bn). The commercial real estate portfolio comprises both relatively large and financially strong companies as well as many small and medium sized companies.

Loans to Shipping and Offshore increased to NOK 47bn (NOK 42bn). The shipping portfolio is well diversified by type of vessel, has a focus on large and financially robust industrial players and exhibits strong credit quality. Nordea is a leading bank to the global Shipping and Offshore sector with strong brand recognition and a world leading loan syndication franchise. Reflecting Nordea's global customer strategy, there is an even distribution between Nordic and non-Nordic customers.

The distribution of loans to corporates in Nordea Bank Norge, by size of loans shows a relative high degree of diversification where approx. 58% (59%[1]) of the corporate volume is for loans up to NOK 450m per customer.

Credit risk mitigation is an inherent part of the credit decision process. In every credit decision and review, the valuation of collaterals is considered as well as the adequacy of covenants and other risk mitigations.

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

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

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

Loans to household customers

In 2015 loans to household customers increased by 9% to NOK 258bn (NOK 237bn). The increase is mainly attributable to an 8% increase in mortgage loans to NOK 244bn (NOK 226bn). Consumer loans increased to NOK 14bn (NOK 10.5bn). The proportion of mortgage loans of total household loans decreased to 95% (96%).

Geographical distribution

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

[1]Restated due to changes in calculations

Loans to the public by industry

NOKm	31 Dec 2015
Energy (oil, gas etc.)	8,339
Metals and mining materials	1,439
Paper and forest materials	447
Other materials (building materials, etc.)	4,446
Industrial capital goods	371
Industrial commercial services, etc.	21,959
Construction and engineering	16,082
Shipping and offshore	47,088
Transportation	6,831
Consumer durables (cars, appliances, etc.)	9,487
Media and leisure	3,276
Retail trade	10,487
Consumer staples (food, agriculture, etc.)	16,424
Health care and pharmaceuticals	1,500
Financial institutions	10,944
Real estate	80,149
IT software, hardware and services	1,382
Telecommunication equipment	1
Telecommunication operators	1,697
Utilities (distribution and productions)	10,045
Other, public and organisations	959
Corporate	**253,352**
Household mortgages	244,488
Household consumer	13,958
Public sector	220
Total	**512,018**

Rating and scoring distribution

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

About 83% (84%) of the corporate exposure is rated 4– or higher and the portion of institutional exposure rated 5– or higher is 92% (99%). About 91% (92%) of the retail exposures are scored C– or higher.

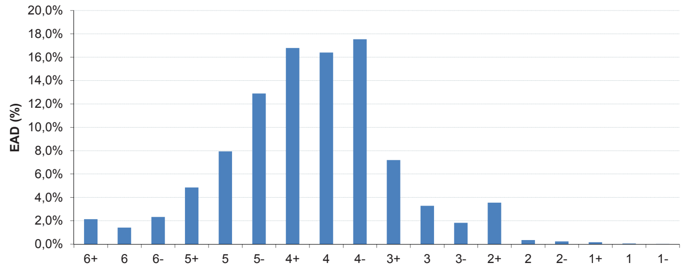
Impaired loans

Impaired loans gross in NBN increased during the year to NOK 4,455m from NOK 4,374m, corresponding to 84bp of total loans (84bp). 59% (53%) of impaired loans gross are performing loans and 41% (47%) are non-performing loans. Impaired loans net, after allowances for individually assessed impaired loans amounted to NOK 2,303m (NOK 1,946m), corresponding to 44bp of total loans (37bp). Allowances for individually assessed loans decreased to NOK 2,152m from NOK 2,428m.

Allowances for collectively assessed loans increased to NOK 813m from NOK 616m. The provisioning ratio was 56% (58%). The sectors showing the largest increases in impaired loans were Consumer durables, Construction and Engineering and IT software, hardware and services.

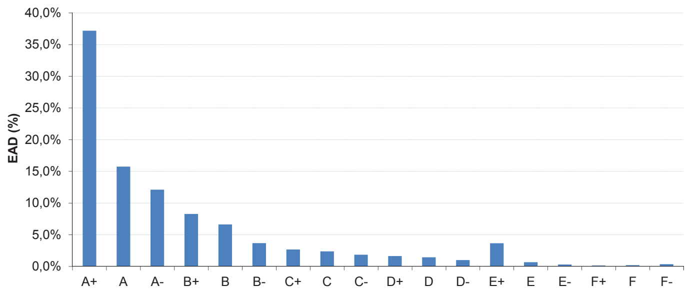
Past due loans to corporate customers 6 days or more that are not considered impaired increased slightly to NOK 1,952m (NOK 1,380m). The volume of past due loans to household customers increased to NOK 5,139m (NOK 4,181m) in 2015.

Figure Rating distribution IRB corporate



Where the highest rating is 6+

Figure Scoring distribution IRB Retail



Where the highest rating is A+

Net loan losses

Loan losses decreased to NOK 770m in 2015 (NOK 821m). This corresponds to a loan loss ratio of 15bp (16bp). Adjusted for technical reallocation in fourth quarter between entities in Nordea (without effect for the Group) loan losses would have been NOK 923m, an increase of 12%. NOK 692m relates to corporate customers (NOK 772m) and NOK 78m (NOK 49m) relates to household customers. The main losses were in the corporate sectors: Other Financial Institutions, consumer durables and Shipping and offshore.

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

NOKm	Impaired Loans, gross	Allowances (individual +collective)	Provisioning-ratio (allow-ances/im-paired loans)
Energy (oil, gas etc.)	–	13	0 %
Metals and mining materials	274	92	33 %
Paper and forest materials	9	4	44 %
Other materials (building materials, etc.)	163	124	76 %
Industrial capital goods	1	0	43 %
Industrial commercial services, etc.	307	377	123 %
Construction and engineering	161	191	119 %
Shipping and offshore	204	469	230 %
Transportation	82	55	67 %
Consumer durables (cars, appliances, etc.)	537	304	57 %
Media and leisure	26	24	96 %
Retail trade	53	77	144 %
Consumer staples (food, agriculture, etc.)	59	67	114 %
Health care and pharmaceuticals	3	4	148 %
Financial institutions	759	363	48 %
Real estate	356	266	75 %
IT software, hardware and services	20	25	125 %
Telecommunication equipment	–	–	0 %
Telecommunication operators	36	101	278 %
Utilities (distribution and productions)	11	19	177 %
Other, public and organisations	0	21	
Corporate	3,059	2,595	85 %
Household mortgages	1,138	306	27 %
Household consumer	258	64	25 %
Public sector	0	0	95 %
Total impaired loans	**4,456**		
Allowances		**2,965**	
Provisioning ratio			**67 %**

Counterparty credit risk

Counterparty credit risk is the risk that Nordea's counterpart in a FX, interest, commodity, equity or credit derivative contract defaults prior to maturity of the contract and that Nordea at that time has a claim on the counterpart. Counterparty credit risk can also exist in repurchasing agreements and other securities financing transactions. The exposure at the end of 2015 for Nordea Bank Norge was NOK 15,445m (15,979m), of which the current exposure net (after close-out and collateral reduction) represents NOK 7,388m. 100% of the exposure was towards financial institutions.

Market risk

Market risk is defined as the risk of loss in Nordea's holdings and transactions as a result of changes in market rates and parameters that affect the market value, for example changes to interest rates, credit spreads, FX rates, equity prices, commodity prices and option volatilities.

Nordea Markets, Group Treasury and Asset and Liability Management (TALM) are the key contributors to market risk in the Nordea Group. Nordea Markets is responsible for the customer-driven trading activities. TALM is responsible for funding activities and investments for Nordea's own account, asset and liability management, liquidity portfolios and pledge/collateral account portfolios. For all other banking activities market risks are managed by TALM.

Measurement of market risk

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

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

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

Market risk analysis

Market risk for the trading book as measured by total VaR was NOK 13m at the end of 2015 (NOK 8m). The total risk is primarily driven by equity risk.

Market risk in the trading book in Nordea Bank Norge group, 31 December 2015

NOKm	Measure	31 Dec 2015	2015 high	2015 low	2015 avg	31 Dec 2014
Total Risk	VaR	13.0	21.4	2.8	12.0	8.0
– Interest Rate Risk	VaR	0.1	9.4	–	0.9	3.6
– Equity Risk	VaR	13.0	21.3	2.8	11.9	6.1
– Foreign Exchange Risk	VaR	0.4	0.6	–	0.2	0.6
Diversification effect		4 %	35 %	0 %	8 %	21 %

Structural Interest Income Risk (SIIR)

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

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

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

TALM has the responsibility for the operational management of SIIR.

SIIR measurement methods

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

SIIR analysis

At the end of the year, the SIIR for increasing market rates in Nordea Bank Norge was NOK 266m (NOK 259m) and the SIIR for decreasing market rates was NOK -1,084m (NOK -1,552m). These figures imply that net interest income would increase if interest rates rise and decrease if interest rates fall.

Operational risk

Operational risk is defined as the risk of direct or indirect loss, or damaged reputation, resulting from inadequate or failed internal processes, from people and systems, or from external events. Operational risk includes legal risk and is inherent in all activities within the organisation, in outsourced activities and in all interactions with external parties.

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

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

The key process for management of operational risks is the annual Operational Risk Assessment process. The process includes the risk and control self-assessment (RCSA) and the scenario analysis, and puts focus on both the risks on a divisional and unit level threatening its daily activities and the risks which could cause extreme financial losses or other significant impacts to Nordea as well as ensuring fulfilment of requirements specified in Group directives. The risks are identified both through top-down and through bottom-up analysis of results obtained from control questions as well as existing information from processes, such as incident reporting, scenario analysis, quality and risk analyses as well as product approvals. The timing of this process is synchronised with the annual planning process to be able to ensure adequate input to the Group's overall prioritisations.

Compliance risk
Nordea defines compliance risk as the risk to fail to comply with laws, regulations, rules and prescribed practises and ethical standards, governing Nordea's activities in any jurisdiction, which could result in material financial or reputational loss to the Group, regulatory remarks or sanctions.

The key principle for the management of Compliance risk is the three lines of defence. The first line of defence represented by the Business Areas and Group Functions are risk owners, and are responsible for their own daily risk management and control of compliance risks. Management on all levels are responsible for operating their business within defined limits for risk exposure and in accordance with decided directives, instructions and risk management processes, and for implementing and executing Group level and Business Area level instructions and guidelines.

Group Compliance is a second line of defence risk control function in the Group, coordinating, facilitating and overseeing the effectiveness and integrity of the Group's compliance risk management. Group Compliance provides an independent view on compliance to relevant rules and regulations, to a large degree based on carried out monitoring activities. Furthermore, Group Compliance also advises and supports first line on ways to effectively and efficiently handle compliance obligations. Group Internal Audit performs audits and provides assurance to stakeholders on internal controls and risk management processes in third line of defence.

In the spring of 2015 Nordea received a SEK 50 million fine from the Swedish Financial Supervisory Authority for insufficient processes to counteract money laundering and terrorism financing. Despite that Nordea had taken thorough measures over the past years to strengthen this area, the fine proved that we had underestimated the complexity and the resources needed to meet all requirements.

To specifically address the deficiencies in this area the bank has established a Financial Crime Change Programme, which is a holistic approach to develop a group-wide and sustainable standard for the prevention of financial crime.

However, broader change activities aimed to strengthen the general compliance framework in Nordea has accelerated significantly. Initiatives are targeted both towards strengthening the regulatory implementation capability in the first line as well as strengthening Group Compliance to ensure the second line role is carried out in accordance with regulatory and internal requirements.

Liquidity risk
Management principles and control
Group Treasury & Asset & Liability Management (ALM) is responsible for pursuing the Nordea's liquidity strategy, managing the liquidity in Nordea and for compliance with the group-wide limits set by the Board of Directors and the Risk Committee. Furthermore, Group Treasury & ALM, together with Group Market and Counterparty Credit Risk, develops the liquidity management and risk frameworks, which consist of policies, instructions and guidelines for Nordea as well as the principles for pricing liquidity risk.

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

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

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

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

Liquidity risk measurement methods
The liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. In order to manage short-term funding positions, Nordea measures the Funding gap risk, which expresses the expected maximum accumulated need for raising liquidity in the course of the next 30 days. Cash flows from both on-

balance sheet and off-balance sheet items are included. Funding gap risk is measured and limited for all currencies combined. The total figure for all currencies combined is limited by the Board of Directors.

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

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

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

Liquidity risk analysis

The short-term liquidity risk remained at moderate levels throughout 2015. The average funding gap risk, i.e. the average expected need for raising liquidity in the course of the next 30 days, was NOK -1.6bn (NOK +5.0bn). Nordea Bank Norge liquidity buffer range was NOK 89.6 –106.8bn (NOK 67.92 –92.95bn) throughout 2015 with an average buffer size of NOK 97.7bn (NOK 81.1bn). Nordea Bank Norge liquidity buffer is highly liquid, consisting of only central bank eligible securities held by Group Treasury & ALM. Survival horizon was in the range of NOK 91.0 –163.5bn (NOK 68.0 –109.9bn) throughout 2015 with an average of NOK 116.4bn (NOK 91.0bn). The yearly average for the net balance of stable funding was NOK 12bn (NOK 1bn).

For additional information on contractual cash flows, see Note 42 Maturity analysis for assets and liabilities.

Capital management

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

Capital governance

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

The capital requirement and the capital base described in this section follow the Norwegian rules for calculating capital requirements, which resemble The Capital Requirement Directive IV (CRD IV) and Capital Requirement Regulation (CRR) in European Union, and not accounting standards, see Note 44 Credit risk disclosures for details.

Minimum capital requirements

Risk exposure amount (REA) is calculated in accordance with the adjusted Norwegian rules for calculating capital requirements. Nordea Bank Norge had 79.3% of the credit exposures covered by internal rating based (IRB) approaches by the end of 2015.

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

Minimum capital requirement and REA

NOKm	31 Dec 2015 Minimum Capital requirement	31 Dec 2015 REA	31 Dec 2014 REA
Credit risk	**15,342**	**191,783**	**179,658**
– of which counterparty credit risk	239	2,986	3,141
IRB	13,986	174,827	161,051
– corporate	10,196	127,454	123,108
– advanced	*9,626*	*120,328*	*116,355*
– foundation	*570*	*7,126*	*6,753*
– institutions	612	7,646	4,168
– retail	2,932	36,646	31,227
– secured by immovable property collateral	*2,226*	*27,827*	*22,699*
– other retail	*706*	*8,819*	*8,528*
– other	246	3,081	2,548
Standardised	1,356	16,956	18,607
– central governments or central banks	0	1	0
– regional governments or local authorities	21	265	190
– public sector entities	1	13	0
– multilateral development banks	0	0	0
– international organisations	0	0	0
– institutions	584	7,303	9,441
– corporate	8	104	54
– retail	514	6,422	6,048
– secured by mortgages on immovable properties	0	0	0
– in default	5	57	63
– associated with particularly high risk	0	0	0
– covered bonds	0	0	0
– institutions and corporates with a short-term	0	0	0
credit assessment	0	0	0
– collective investments undertakings (CIU)	0	0	0
– equity	62	774	106
– other items	161	2,017	2,705
Credit Value Adjustment Risk	**56**	**690**	**436**
Market risk	**272**	**3,405**	**3,447**
– trading book, Internal Approach	239	2,990	2,719
– trading book, Standardised Approach	33	415	728
– banking book, Standardised Approach			
Operational risk	**1,826**	**22,822**	**21,806**
Standardised	1,826	22,822	21,806
Additional risk exposure amount, Article 3 CRR	145	1,809	0
Sub total	**17,641**	**220,509**	**205,347**
Adjustment for Basel I floor			
Additional capital requirement according to Basel I floor[1]	10,697	133,718	145,728
Total	**28,338**	**354,227**	**351,075**

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

Internal capital requirement

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

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

The ICAAP also describes Nordea's management, mitigation and measurement of material risks and assesses the adequacy of internal capital by defining internal capital requirements reflecting the risk of the institution. However, regulatory buffers were introduced since the implementation of CRDIV/CRR rules.

Economic Capital (EC)

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

Economic Capital for Nordea Bank Norge was at the end of 2015 EUR 3.7bn (EUR 3.1bn as of 2014, restated).

Economic Profit (EP)

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

Expected loss (EL)

EL reflects the normalised loss level of the individual credit exposure over a business cycle as well as various portfolios. During 2015 there were no changes to the EL framework apart from the regular update of parameters based on the latest validations. EL is a more stable measure than actual losses, but it will vary with the business cycle as a consequence of shifts in the repayment capacity (PD dimension) and collateral coverage (LGD dimension) distributions.

Own funds

Own funds is the sum tier 1 and tier 2 capital. Tier 1 capital consists of both common equity tier 1 (CET1) and additional tier 1 capital. CET1 capital is considered to be capital of the highest quality with ultimate loss-absorbance characteristics and consists predominately of paid in capital and retained earnings. Profit may only be included after permission from the financial supervisory authority and after deduction of proposed dividend.

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

Summary of items included in own funds[3]

NOKm	31 Dec[4] 2015	31 Dec[4] 2014
Calculation of own funds		
Equity in the consolidated situation	56,731	45,120
Proposed/actual dividend		
Common Equity Tier 1 capital before regulatory adjustments	56,731	45,120
Deferred tax assets		
Intangible assets	-118	-149
IRB provisions shortfall (-)	-330	-63
Deduction for investments in credit institutions (50%)		
Pension assets in excess of related liabilities[1]	0	0
Other items, net	-609	-356
Total regulatory adjustments to Common Equity Tier 1 capital	-1,057	-568
Common Equity Tier 1 capital (net after deduction)	**55,674**	**44,552**
Additional Tier 1 capital before regulatory adjustments	4,677	5,187
Total regulatory adjustments to Additional Tier 1 capital		
Additional Tier 1 capital	4,677	5,187
Tier 1 capital (net after deduction)	**60,351**	**49,739**
Tier 2 capital before regulatory adjustments	4,852	4,096
Other items, net	0	77
Total regulatory adjustments to Tier 2 capital	0	77
Tier 2 capital	4,852	4,173
Own funds (net after deduction)[2]	**65,203**	**53,912**

[1] Based on conditional FSA approval

[2] Own Funds adjusted for IRB provision, i.e. adjusted own funds equal 65,533m by 31 Dec 2015

[3] Including profit of the period

[4] Figures are according to CRR Consolidation principples.

Key capital adequacy ratios in Nordea Bank Norge group

	2015	2014
Excl. Basel 1 floor		
CET1 capital ratio (%)	25.2%	21.7%
Tier 1 capital ratio (%)	27.4%	24.2%
Total capital ratio (%)	29.6%	26.3%
Capital adequacy quotient (own funds/capital requirement excluding Basel I floor)	3.7	3.3
Incl. Basel 1 floor		
CET1 capital ratio (%)	15.7%	12.7%
Tier 1 capital ratio (%)	17.0%	14.2%
Total capital ratio (%)	18.4%	15.4%
Capital adequacy quotient (own funds/capital requirement excluding Basel I floor)	2.3	1.9

Further information

Further information on capital management and capital adequacy is presented in note 37 Capital adequacy and in the Capital and Risk Management report at www.nordea.com.

New regulations

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

In Norway, the CRD IV/CRR and associated regulatory standards are not incorporated in the EEA agreement. The latest official progress related to the incorporation of CRD IV/CRR in the EEA agreement was published 14 October 2014, where the Finance Ministers from Iceland, Liechtenstein, Norway and the European Union announced that a solution had been found on the incorporation of the EU Regulations establishing the European Supervisory Authorities into the EEA Agreement. A proposition will need an approval with a three quarter majority in the Norwegian Parliament but has not yet been published.

However, main provisions from the CRD IV/CRR rules have been introduced in the Norwegian regulation as well as national regulations. A major deviation to CRD IV/CRR is that the Basel I floor related to REA is not removed and that capital requirement to the SME segment is not implemented as well as other technical rules that remains to be included. The minimum capital requirements are harmonised with a CET1 capital ratio of 4.5%, a Tier 1 ratio of 6% and a total capital ratio of 8%. In addition, a capital conservation buffer of 2.5% CET1 apply. The systemic risk buffer is set to 3%. The current countercyclical capital buffer of 1% will be increased to 1.5% from 30 June 2016. Furthermore, the Ministry of Finance maintained its decision, in June, that Nordea Bank Norge, together with two other banks, are considered as systemically important institutions and must therefore hold an additional buffer of 1% CET1 from 1 July, to be increased to 2% from 1 July 2016. The buffer requirement is the same for the three institutions and applies on all levels. In October 2013, stricter risk weights were adopted for residential mortgages for Norwegian regulated IRB banks, through an LGD floor of 20%. In July 2014, the Financial Supervisory Authority issued a new guideline regarding supervisory practices introducing additional national adjustments to PD and LGD to the IRB models to mortgages in Norway, with effect from first quarter 2015.

Updates on Basel III and the CRD IV/CRR
On 10 December the Basel Committee on Banking Supervision (BCBS) released a second consultative document on revisions to the standardised approach for credit risk. The proposal differs in several ways from the initial proposal published in December 2014. The previous proposal removed all references to external credit ratings and assigned risk weights based on a limited number of alternative risk drivers. The new proposal reintroduces the use of ratings for exposures to banks and corporates. The intention from the BCBS is to finalise the work by end-2016.

On 14 January 2016 the BCBS published revised market risk framework, "Minimum capital requirements for market risk". The key features of the framework includes a revised boundary, revised internal models, revised standardised approach, a shift from value-at-risk to an expected shortfall measure of risk under stress and the incorporation of the risk of market illiquidity. The framework enters into force on 1 January 2019.

On 1 July the Basel Committee published a consultative document on the review of the CVA risk framework. The objectives of the review are to ensure that all important drivers of CVA risk and CVA hedges are covered in the framework, to align the framework with various accounting regimes and to ensure consistency with the revised market risk framework. The proposal includes an internal models approach and a standardised approach for CVA risk. The intention from the Basel Committee is that the revised CVA framework is to be finalised in mid-2016.

On 6 October 2014 the Basel Committee published a consultative document on the revision of the simpler approaches for operational risk. It has been stated that there will be a second consultation on this during 2016 together with major changes to the advanced approach for operational risk (AMA).

On 22 December 2014 the BCBS published a consultation on the design of a permanent floor, replacing the current Basel I (transitional) floor. The proposal is that the floor shall be based on the revised standardised approaches for credit-, market- and operational risks. The intention from the BCBS is to finalise the design and calibration of the floor by end-2016.

The BCBS will finalise the calibration of the leverage ratio during 2016 in order to implement it as a pillar 1 requirement by 1 January 2018. In a statement on 11 January 2016 it was stated that the leverage ratio will be based on a Tier 1 definition and should comprise a minimum level of 3% with the possibility to set additional requirement on G-SIBs.

Bank Recovery and Resolution Directive
The Banking Recovery and Resolution Directive (BRRD) outlines the tools and powers available to the relevant authorities in the EU, which are aimed at both preventing bank defaults as well as handling banks in crises, while maintaining financial stability. The BRRD require banks to draw up recovery plans to describe the measures they would take in order to remain viable if their financial situation is considerably weakened. The BRRD also sets the minimum requirement for own funds and eligible liabilities (MREL) for all EU banks. The BRRD is not yet incorporated in the EEA agreement, why it has not been implemented in Norway. The intention is, however, to implement national legislation that resembles the BRRD. Simultaneously the nation resolution authorities and the national resolution funds are set up.

In November the Financial Stability Board (FSB) published the final standards on the total loss absorbing capacity (TLAC). The TLAC is intended to ensure adequate availability of loss-absorbing capacity for global systemic banks in resolution, similar to the MREL. The TLAC requirement will not be applied before 2019. Work is ongoing to align the TLAC and MREL frameworks within the European legislation.

Bank structural reform
The European Commission published a proposal for Bank Structural Reform in January 2014. The Commission proposal to ban proprietary trading and separate certain trading activities based on supervisory assessment was discussed both in the European Parliament and in the Council during 2015, where the Council reached a general approach but where a final agreement has not yet been reached within the Parliament. It is expected that the negotiations in the Trilogue will start during 2016. Time for finalisation and possible implementation is still unclear.

Accounting
Nordea's accounting policies, which follow IFRS, are under change. Nordea's assessment is that the most important changes are related to Financial Instruments (IFRS 9) and Insurance Contracts (IFRS 4), although other changes might also have an impact on Nordea. IFRS 9 will become mandatory from 2018 if endorsed in the EU. The

finalisation dates and effective dates for the amended IFRS 4 is still pending.

Internal control and risk management regarding financial reporting

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

Control Environment

The control environment constitutes the basis for Nordea's internal control and contains the culture and values established by the Nordea Board of Directors and Executive Management. A clear and transparent organisational structure is important for the control environment. Nordea's business structure aims to support the overall strategy, with strong business momentum and increased requirements on capital and liquidity. The business and the organization are under continuous development.

Clear roles and responsibilities are critical in the governance of Internal Control over Financial reporting where the risk owners in the business areas and the Group Finance & Business Control is responsible for the risk management activities. A risk management function supports the risk owners in maintaining a Group wide set of controls, in line with the risk framework, which covers the controlling of risks and the risk identification process, that to a large extent is based on the actual business and financial closing processes in place. An independent risk control function that is responsible for identifying, controlling and reporting on financial reporting risk has been established in Group Risk Management (GRM). On top of that, the internal audit function is providing assurance to the Board of Directors on the risk management, control and governance process.

Risk Assessment

The Board of Directors bear the ultimate responsibility for limiting and monitoring Nordea's risk exposure, and risk management is considered an integral part of running the business. The main responsibility for performing risk assessments regarding financial reporting risks lies with the business organisation. Performing risk assessments close to the business increases the possibility of identifying the most relevant risks. In order to govern the quality of the risk assessment process, governing documents from central functions stipulate when and how these assessments are to be performed. Examples of risk assessments, performed at least annually, are Quality and Risk Analysis for changes and Risk and Control Self-Assessments at divisional levels. Risk assessment in relation to reliable financial reporting involves the identification and analysis of risks of material misstatements. Financial risk control work in Nordea only focuses on risks and processes which could lead to material financial misstatements, i.e. if, in the light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item. Structured risk assessment procedures determines in which divisions, locations and/ or processes risks for material financial misstatements exist and therefore will need to be monitored under the AKC framework to ensure reasonable assurance of the reliability of Nordea's external financial reporting.

Control Activities

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

Information & Communication

Group Finance and Business Control are responsible for ensuring that the Group Accounting Manual and the Financial Control Principles are up-to-date and that changes are communicated with the responsible units. These governing documents are broken down into instructions and standard operating procedures in the responsible units. Accounting specialists within Group Finance & Business Control continuously provide accountants and controllers with information on changes in order to inform about existing and updated rules and regulations with an impact on Nordea. Matters having impact on the fulfilment of financial reporting objectives are communicated with external parties, with Nordea actively participating in relevant national forums, including forums established by the Financial Supervisory Authorities, Central Banks, and associations for financial institutions.

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

According to Norwegian law Nordea is required to have an external auditor. At the Annual General Meeting 2015 PricewaterhouseCoopers AS was elected as auditor for the time period up to end of the Annual General Meeting 2016.

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

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

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

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

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

Further information
Further information on corporate governance and internal control and risk management regarding financial reporting is presented in the Nordea Bank AB (publ) Annual Report 2015.

Human Resources

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

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

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

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

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

Continuous feedback to support successful performance

Regular feedback is essential to ongoing development. We create a culture of responsiveness through our Employee Satisfaction Index (ESI) and our Performance & Development Dialogue (PDD) process. The ESI survey shows what our employees think about our employment practices, governance standards and values. In 2015, the ESI response rate was 92%, indicating a strong commitment to operational improvement. NBN scored 70 out of 100 points on Satisfaction and Motivation for 2015. We follow up on the feedback from the ESI both at local and group levels. In the PDDs, employees and leaders discuss performance and the potential for competence and career development.

Competence development is crucial for our business

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

A company with many possibilities

Mobility is key for competence development. We advertise our vacancies internally and strive to find candidates among our colleagues as well as running internal career days on a country-wide basis. Nordea's Graduate Programme plays an important role in bringing new talents to the bank. The programme is in high demand and serves as a sign of our ability to attract some of the best young talents. The current graduate programme has been running for 15 years, with more than 100 participants in NBN so far. Eighteen candidates started in 2015.

Equal opportunities

Gender diversity is a challenge in many industries, as well as the society as a whole. Close to 46 % of the full-time employees at NBN are women. The share of females with personnel responsibility is 38%. It is a priority of NBN to increase the number of female employees in managerial and especially executive positions. Nordea has on a group level established an own unit with focus on diversity and including a better gender distribution in leading positions. The unit works across the country barriers.

In terms of full time salary, average salary for women and men was approximately NOK 581,000 and NOK 690,000 respectively, and reflects a higher number of men in key leadership positions in NBN.

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

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

Number of employees

The number of employees in NBN was 2,676 at the end of 2015. This represents 2,460 FTEs. NBN recruited a total of 170 people in 2015, 72 of whom were female and 98 of whom were male. The average age of the new employees was 31 in 2015.

Sick leave

Sick leave amounted to 26,845 days in 2015, equivalent to 3.98% (4.46%), adjusted for holidays. The relatively low sick leave percentage must be considered in connection with the systematic reviews of the physical and psychosocial working environment performed by HR Health & Work Environment, particularly in those areas where sick leave is most frequent. Through the collective personnel insurance scheme, all employees in NBN are guaranteed faster access to treatment. Furthermore, the employees on sick leave are followed-up closely in accordance with the agreement on Inclusive Work Life (IA). NBN has in 2014 renewed its agreement on Inclusive Work Life (IA) to last until 2018.

Eight personnel injuries to human beings (work related) have been reported due to accidents or other incidents in NBN in 2015. NBN was subject to two robberies in 2015. Following the robberies, those employees affected by the incidents were followed up by the internal company health services according to standard routine. There have also been made changes to operational procedure in order to reduce the risk of future robberies, and NBN now only has one entity with manual handling of cash.

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

Remuneration

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

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

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

Legal proceedings

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

Subsequent events

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

Corporate Social Responsibility (CSR) and Environmental Concerns

In 2015, Nordea launched a new CSR strategy. Building on many years of managing the CSR initiatives within our own operations, this new strategy aims to go further. We now aim to apply our expertise and competences to those societal challenges where we can achieve positive change. Our three focus areas are promoting social responsible economic progress, building financial skills, and ensuring a diverse workforce.

Our commitments and policies

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

During 2015 we have increased the focus on compliance at Nordea and have a new structure in place to ensure there is a consistent approach to risk management across the various business areas and group functions.

We have also established a Financial Crime Change Programme, which will ensure that we combat financial crime in a more holistic and sustainable way. As part of the new programme agreed this year, there will be a new financial crime operating model developed in 2016.

Our Operational Risk and Compliance Awareness Programme assures that our employees are fully aware of our policies and commitments. This programme includes a rolling series of e-learning modules, focusing on operational and compliance risks and related responsibilities in our daily work. We also have a group-wide whistleblowing system in place, whereby employees can report concerns anonymously. Our Anti-Money Laundering (AML) unit gives hands-on support specifically for AML-related matters.

Our credit framework builds on the Nordea Sustainability Policy. In 2015 we continued to develop a sophisticated tool to help us evaluate the ESG (Environmental, Social and Governance) risks among our corporate customer portfolio. Starting in 2016, we will be using this tool as part of our regular credit review process. For corporate customers of our Retail division, pre-screening questions will be integrated into our Know Your Customer evaluation.

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

Nordea has implemented Socially Responsible Investing (SRI) and signed the UN's Principles for Responsible Investment (PRI). We consider the ESG aspects of the companies in our investment funds to ensure that our customers' assets are invested in companies complying with international guidelines and responsible investment principles for human rights, working conditions, environmental issues, and corporate ethics. In 2015 we adopted a more robust position on climate change. As well as committing to engage with customers for whom climate change and carbon emissions are relevant issues, we will not start new client relationships with customers that primarily depend on coal.

We demand high standards of all our suppliers based on our CSR Supplier Policy and CSR Supplier Guidelines. In 2015 the requirement to complete our supplier self-assessment questionnaire, indicating potential sustainability risk, was extended from new suppliers to existing suppliers. In 2016 we will be focusing our follow-up engagements on high-risk suppliers.

Nordea has engaged in numerous activities to address the specific challenges in local communities. In 2015 we won Finance Norway's award for best corporate engagement with schools for our work on personal finance education. Continuing our ongoing partnership with Young Entrepreneurs, more than 80 employees went into secondary schools and taught more than 2,200 pupils about personal finance and career options.

Protecting human rights

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

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

Our People Policy lays out our responsibility for ensuring that employees are fairly treated and given equal development opportunities. We have a strong commitment to gender diversity with targets for graduate recruitment and management hires, alongside training in areas such as 'unconscious bias'. We seek to provide a safe, healthy, and productive environment.

Environmental Impact

Group Executive Management has set long-term environmental targets to reduce our emissions, with a primary focus on energy and air travel (our two largest emitters), and a secondary focus on paper, waste, green IT, facility management, procurement, and communication. Each quarter, we monitor and report progress on our environmental indicators, and we report on emissions annually. As our current environmental targets reach their endpoint in 2016, we will be setting new targets for the future.

Recognising the importance of acting on climate change, Nordea committed to being a carbon neutral company in 2015, a goal we achieved through emissions reductions and offsetting.

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

Outlook for 2016

For 2016 NBN expects a year of low growth and low interest rates. NBN will continue cost efficiency plans and reduce administrative complexity to the benefit of the customers, employees and investors.

The coming three years will be a transition period where Nordea will execute on the transformational change agenda in order to generate a digital bank. This change agenda is driven by changed customer behaviour, a shift in technology and regulatory requirements.

Nordea will initiate certain key activities to manage the transition efficiently. A few examples of activities are the shift from physical to digital distribution and establishing e-branches, a focusing of customer coverage across Europe to further leverage resources and competencies in the Nordics and costs related to shift of competencies to support the digital transformation and compliance. These activities will be carried out during 2016–2017 and will start to deliver efficiencies already in late 2016, which will enable Nordea to continue to invest in competencies, product offerings and IT. As substantial investments will be carried out in 2017–2018, net cost reductions will start materialising from 2019.

Nordea Bank Norge ASA
Oslo, 8 February 2016

Lennart Jacobsen
Chairman

Tom Johannessen
Deputy Chairman

Karin S. Thorburn

Hilde Merete Tonne

Hans Christian Riise
Employee representative

Snorre Storset
Chief Executive Officer

Financial statements - contents

Nordea Bank Norge

Income statements

Income statements

NOKm	Note	Group 2015	Group 2014	Parent company 2015	Parent company 2014
Operating income					
Interest income		17,591	19,743	13,820	15,346
Interest expense		–8,257	–9,935	–6,804	–8,257
Net interest income	3	**9,334**	**9,808**	**7,016**	**7,089**
Fee and commission income		3,482	3,501	3,314	3,330
Fee and commission expense		–882	–833	–871	–823
Net fee and commission income	4	**2,600**	**2,668**	**2,443**	**2,507**
Net result from items at fair value	5	402	620	406	635
Profit/–loss from associated undertakings accounted for under the equity method	19	257	–58	0	0
Dividends and group contribution	6	0	0	1,808	675
Other operating income	7	236	135	317	213
Total operating income		**12,829**	**13,173**	**11,990**	**11,119**
Operating expenses					
General administrative expenses:					
Staff costs	8	–3,289	–3,188	–3,116	–3,027
Other expenses	9	–1,940	–1,948	–1,796	–1,855
Depreciation, amortisation and impairment charges of tangible and intangible assets	10,20,21	–135	–362	–79	–329
Total operating expenses before loan losses		**–5,364**	**–5,498**	**–4,991**	**–5,211**
Profit before loan losses		**7,465**	**7,675**	**6,999**	**5,908**
Net loan losses	11	–770	–821	–709	–760
Operating profit		**6,695**	**6,854**	**6,290**	**5,148**
Income tax expense	12	–1,572	–1,891	–1,558	–1,386
Net profit for the year		**5,123**	**4,963**	**4,732**	**3,762**
Attributable to:					
Shareholder of Nordea Bank Norge ASA		5,123	4,963	4,732	3,762
Total		**5,123**	**4,963**	**4,732**	**3,762**
Basic/diluted earnings per share, NOK		9.29	9.00	8.58	6.82

Statements of comprehensive income

NOKm	Note	Group 2015	Group 2014	Parent Company 2015	Parent Company 2014
Net profit for the year		**5,123**	**4,963**	**4,732**	**3,762**
Items that may be reclassified subsequently to the income statement					
Available-for-sale investments[1]:	17				
Valuation gains/losses during the year		-504	134	-504	134
Tax on valuation gains/losses during the year		126	-36	126	-36
Transferred to the income statement		-19	-17	-19	-17
Tax on transfers to the income statement		5	5	5	5
Cash flow hedges:	17				
Valuation gains/losses during the year		3,295	121	942	850
Tax on valuation gains/losses during the year		-822	-33	-236	-230
Transferred to the income statement		-3,160	-4	-733	-914
Tax on transfers to the income statement		790	1	183	247
Items that may not be reclassified subsequently to the income statement					
Defined benefit plans:	32				
Remeasurement of defined benefit plans		913	-1,094	886	-1,048
Tax on remeasurement of defined benefit plans		-225	295	-218	282
Other comprehensive income, net of tax		**399**	**-628**	**432**	**-727**
Total comprehensive income		**5,522**	**4,335**	**5,164**	**3,035**
Attributable to:					
Shareholders of Nordea Bank AB (publ)		5,522	4,335	5,164	3,035
Sum		**5,522**	**4,335**	**5,164**	**3,035**

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

Nordea Bank Norge ASA
Oslo, 8 February 2016

Lennart Jacobsen
Chairman

Tom Johannessen
Deputy Chairman

Karin S. Thorburn

Hilde Merete Tonne

Hans Christian Riise
Employee representative

Snorre Storset
Chief Executive Officer

Nordea Bank Norge

Balance sheets

NOKm	Note	Group 31 Dec 2015	Group 31 Dec 2014	Parent company 31 Dec 2015	Parent company 31 Dec 2014
Assets					
Cash and balances with central banks		6,860	2,499	6,860	2,499
Loans to central banks and credit institutions	13	14,131	17,863	54,668	54,138
Loans to the public	13	512,018	499,922	381,338	362,445
Interest-bearing securities	14	107,860	91,574	107,525	102,734
Financial instruments pledged as collateral	15	75	1,392	75	1,392
Shares	16	413	443	410	440
Derivatives	17	11,612	11,951	11,885	12,314
Fair value changes of the hedged items in portfolio hedge of interest rate risk		473	626	409	509
Investments in group undertakings	18	0	0	7,218	5,814
Investments in associated undertakings	19	1,751	1,495	417	417
Intangible assets	20	159	149	82	85
Properties and equipment	21	1,232	922	489	543
Investment properties	23	55	65	1	1
Other assets	24	1,857	18,790	1,566	18,674
Prepaid expenses and accrued income	25	1,946	2,049	1,051	1,128
Total assets		**660,442**	**649,740**	**573,994**	**563,133**
Liabilities					
Deposits by credit institutions	26	245,461	239,053	245,516	239,137
Deposits and borrowings from the public	27	240,430	236,754	240,525	236,909
Debt securities in issue	28	90,759	84,664	9,131	4,682
Derivatives	17	1,622	1,732	8,456	6,465
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,625	1,816	19	105
Current tax liabilities	12	359	1,214	0	694
Other liabilities	29	6,112	23,884	6,115	23,864
Accrued expenses and prepaid income	30	1,891	1,900	1,027	1,072
Deferred tax liabilities	12	3,194	1,576	2,468	979
Provisions	31	304	196	303	195
Retirement benefit obligations	32	1,416	2,360	1,369	2,286
Subordinated liabilities	33	10,625	9,471	10,625	9,471
Total liabilities		**603,798**	**604,620**	**525,554**	**525,859**
Equity					
Share capital		4,962	4,411	4,962	4,411
Share premium reserve		8,850	3,402	8,850	3,402
Other reserves		771	371	723	290
Retained earnings		42,061	36,936	33,905	29,171
Total equity		**56,644**	**45,120**	**48,440**	**37,274**
Total liabilities and equity		**660,442**	**649,740**	**573,994**	**563,133**
Assets pledged as security for own liabilities	34	179,714	171,007	82,893	67,723
Contingent liabilities	35	2,166	1,774	7,232	6,587
Commitments	36	118,390	120,159	191,352	112,241

Statement of changes in equity

Group

NOKm	Note	Share capital[1]	Share Premium	Other reserves: Cash flow hedges	Available-for-sale investments	Defined benefit plans	Retained earnings	**Total**
Balance at 1 Jan 2015		**4,411**	**3,402**	**88**	**178**	**105**	**36,936**	**45,120**
Net profit for the year							5,123	5,123
Items that may be reclassified subsequently to the income statement								
Available-for-sale investments:	17							
Valuation gains/losses during the year					-504			-504
Tax on valuation gains/losses during the year					126			126
Transferred to profit or loss on sale for the year					-19			-19
Tax on transfers to profit or loss on sale for the year					5			5
Cash flow hedges:	17							
Valuation gains/losses during the year				3,295				3,295
Tax on valuation gains/losses during the year				-822				-822
Transferred to profit or loss for the year				-3,160				-3,160
Tax on transfers to profit or loss for the year				790				790
Items that may not be reclassified subsequently to the income statement								
Defined benefit plans:	32							
Remeasurement of defined benefit plans						913		913
Tax on remeasurement of defined benefit plans						-225		-225
Other comprehensive income, net of tax		0	0	103	-392	688	0	399
Total comprehensive income		0	0	103	-392	688	5,123	5,522
Share capital increase		551	5,488					6,000
Share-based payments[2]							1	1
Other changes							1	1
Balance at 31 Dec2015		**4,962**	**8,850**	**191**	**-214**	**793**	**42,061**	**56,644**

NOKm	Note	Share capital1	Share premium reserve	Other reserves Cash flow hedges	Available-for-sale investments	Defined benefit plans	Retained earnings	**Total**
Balance at 1 Jan 2014		**4,411**	**3,402**	**3**	**92**	**904**	**31,963**	**40,775**
Net profit for the year							4,963	4,963
Items that may be reclassified subsequently to the income statement								
Available-for-sale investments:	17							
Valuation gains/losses during the year					134			134
Tax on valuation gains/losses during the year					-36			-36
Transferred to profit or loss on sale for the year					-17			-17
Tax on transfers to profit or loss on sale for the year					5			5
Cash flow hedges:	17							
Valuation gains/losses during the year				121				121
Tax on valuation gains/losses during the year				-33				-33
Transferred to profit or loss for the year				-4				-4
Tax on transfers to profit or loss for the year				1				1
Items that may not be reclassified subsequently to the income statement								
Defined benefit plans:	32							
Remeasurement of defined benefit plans						-1,094		-1,094
Tax on remeasurement of defined benefit plans						295		295
Other comprehensive income, net of tax		0	0	85	86	-799	0	-628
Total comprehensive income		0	0	85	86	-799	4,963	4,335
Share-based payments[2]							18	18
Other changes							-8	-8
Balance at 31 Dec 2014		**4,411**	**3,402**	**88**	**178**	**105**	**36,936**	**45,120**

[1]The share capital is 4,962NOKm (31 dec 2014; 4,411NOKm) consisting of 551 shares at par value of NOK 9.00 (8.00 in 2014)

[2]Reference to Long Term Incentive Programme (LTIP)

Statements of changes in equity cont.

Parent company

NOKm	Note	Share capital[1]	Share Premium	Other reserves: Cash flow hedges	Available-for-sale investments	Defined benefit plans	Retained earnings	Total
Balance at 1 Jan 2015		**4,411**	**3,402**	**-11**	**178**	**123**	**29,171**	**37,274**
Net profit for the year							4,732	4,732
Items that may be reclassified subsequently to the income statement								
Available-for-sale investments:	17							
Valuation gains/losses during the year					-504			-504
Tax on valuation gains/losses during the year					126			126
Transferred to profit or loss on sale for the year					-19			-19
Tax on transfers to profit or loss on sale for the year					5			5
Cash flow hedges:	17							
Valuation gains/losses during the year				942				942
Tax on valuation gains/losses during the year				-236				-236
Transferred to profit or loss for the year				-733				-733
Tax on transfers to profit or loss for the year				183				183
Items that may not be reclassified subsequently to the income statement								
Defined benefit plans:	32							
Remeasurement of defined benefit plans						886		886
Tax on remeasurement of defined benefit plans						-218		-218
Other comprehensive income, net of tax		0	0	157	-392	668	0	432
Total comprehensive income		0	0	157	-392	668	4,732	5,164
Share capital increase		551	5,448					6,000
Share-based payments[2]							1	1
Other changes							1	1
Balance at 31 Dec 2015		**4,962**	**8,850**	**146**	**-214**	**791**	**33,905**	**48,440**

NOKm	Note	Share capital1	Share premium reserve	Other reserves Cash flow hedges	Available-for-sale investments	Defined benefit plans	Retained earnings	Total
Balance at 1 Jan 2014		**4,411**	**3,402**	**36**	**92**	**889**	**25,400**	**34,230**
Net profit for the year							3,762	3,762
Items that may be reclassified subsequently to the income statement								
Available-for-sale investments:	17							
Valuation gains/losses during the year					134			134
Tax on valuation gains/losses during the year					-36			-36
Transferred to profit or loss on sale for the year					-17			-17
Tax on transfers to profit or loss on sale for the year					5			5
Cash flow hedges:	17							
Valuation gains/losses during the year				850				850
Tax on valuation gains/losses during the year				-230				-230
Transferred to profit or loss for the year				-914				-914
Tax on transfers to profit or loss for the year				247				247
Items that may not be reclassified subsequently to the income statement								
Defined benefit plans:	32							
Remeasurement of defined benefit plans						-1,048		-1,048
Tax on remeasurement of defined benefit plans						282		282
Other comprehensive income, net of tax		0	0	-47	86	-766	0	-727
Total comprehensive income		0	0	-47	86	-766	3,762	3,035
Share-based payments[2]							17	17
Other changes							-8	-8
Balance at 31 Dec 2014		**4,411**	**3,402**	**-11**	**178**	**123**	**29,171**	**37,274**

[1]The share capital is 4,962NOKm (31 dec 2014; 4,411NOKm) consisting of 551 shares at par value of NOK 9.00 (8.00 in 2014)

[2]Reference to Long Term Incentive Programme (LTIP)

Cash flow statements

NOKm	Group 2015	Group 2014	Parent company 2015	Parent company 2014
Operating activities				
Operating profit	6,695	6,854	6,290	5,148
Adjustments for items not included in cash flow	2,222	3,371	1,842	3,201
Income taxes paid	-1,425	-431	-896	0
Cash flow from operating activities before changes in operating assets and liabilities	**7,491**	**9,795**	**7,236**	**8,349**
Changes in operating assets				
Change in loans to central banks and credit institutions	3,690	20,858	-574	22,159
Change in loans to the public	-12,930	-38,011	-19,657	-37,044
Change in interest-bearing securities	-16,663	-8,942	-5,168	1,058
Change in financial assets pledged as collateral	1,316	-368	1,316	-368
Change in shares	41	193	41	193
Change in derivatives, net	151	-5,838	2,467	-4,632
Change in investment property	10	138	0	9
Change in other assets	16,939	-14,383	17,112	-14,300
Changes in operating liabilities				
Change in deposits by credit institutions	6,408	-4,094	6,379	-4,006
Change in deposits and borrowings from the public	3,676	17,893	3,616	18,033
Change in debt securities in issue	6,096	12,836	4,449	1,128
Change in other liabilities	-17,767	15,357	-17,744	15,353
Cash flow from operating activities	**-1,542**	**5,434**	**-526**	**5,932**
Investing activities				
Sale of business operations	56	0	65	0
Liquidation/investment of group undertakings	0	0	-1,414	-772
Sale of property and equipment	73	56	5	6
Acquisition of intangible assets	-30	-23	-15	-10
Divestments / investments in debt securities, held to maturity	375	431	375	433
Purchase/sale of other financial fixed assets	-456	-679	-14	-270
Cash flow from investing activities	**19**	**-215**	**-997**	**-612**
Financing activities				
Increase in par value and share premium	6,000	0	6,000	0
Cash flow from financing activities	**6,000**	**0**	**6,000**	**0**
Cash flow for the year	**4,477**	**5,219**	**4,476**	**5,320**
Cash and cash equivalents at the beginning of year	**15,425**	**10,207**	**15,420**	**10,100**
Translation difference	0	-1	0	-1
Cash and cash equivalents at the end of year	**19,902**	**15,425**	**19,896**	**15,420**
Change	**4,477**	**5,219**	**4,476**	**5,321**

Comments on the cash flow statement

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

Operating activities

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

Cash flow statements cont.

	Group		Parent company	
NOKm	2015	2014	2015	2014
Depreciation	130	167	75	134
Impairments charges	5	195	5	195
Profit/-loss from the companies accounted for under the equity method	-257	61	0	0
Loan losses	833	862	764	794
Unrealised gains/losses	228	-529	103	419
Capital gains/losses (net)	-115	-55	-65	-4
Change in accruals and provisions	808	558	274	474
Other	589	2,113	687	1,190
Total	**2,222**	**3,371**	**1,842**	**3,201**

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

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

	Group		Parent company	
NOKm	2015	2014	2015	2014
Interest payments received	17,797	20,454	13,972	16,027
Interest expenses paid	8,339	10,744	6,886	8,627

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

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

Cash and cash equivalents
The following items are included in Cash and cash equivalents:

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Cash and balances with central banks	6,860	2,499	6,860	2,499
Loans to credit institutions, payable on demand	13,042	12,926	13,037	12,921
	19,902	**15,425**	**19,896**	**15,420**

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled;
- the central bank or the postal giro system is domiciled in the country where the institution is established
- the balance on the account is readily available any time.

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities. Loans to central banks, payable on demand includes instruments where Nordea has the right to resell immediately.

Notes to the financial statements

Note 1 - Accounting policies

1. Basis for presentation

NBN's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU Commission. In addition, certain complementary rules in the Norwegian Accounting Act with supported regulations have also been applied.

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

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

On 8 February 2016 the Board of Directors approved the financial statements, subject to final approval at the Annual General Meeting on 25 February 2016.

2. Changed accounting policies

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2014 Annual Report. The new accounting requirements implemented during 2015 and their effects on NBN's financial statements are described below.

The following new and amended standards and interpretations were implemented 1 January 2015 but have not had any significant impact on the financial statements of NBN:

- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs, 2010-2012 Cycle
- Annual Improvements to IFRSs, 2011-2013 Cycle
- IFRIC 21 Levies

3. Changes in IFRSs not yet applied

IFRS 9 Financial instruments

IASB has completed the new standard for financial instruments, IFRS 9 Financial instruments. IFRS 9 covers classification and measurement, impairment and general hedging and replaces the current requirements covering these areas in IAS 39. IFRS 9 is effective as from annual periods beginning on or after 1 January 2018. Earlier application is permitted, but IFRS 9 is not yet endorsed by the EU commission. NBN does not currently intend to early adopt the standard.

The changes in classification and measurement are not expected to have a significant impact on NBN's income statement or balance sheet as the mixed measurement model will be maintained, and as there will still be a measurement category similar to the current Available For Sale (AFS) category in IAS 39. Significant reclassifications between fair value and amortised cost or impact on the capital adequacy and large exposures are not expected in the period of initial application, but this is naturally dependent on the financial instruments on NBN's balance sheet at transition.

The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. In general, it is expected that the new requirements will increase loan loss provisions, decrease equity and have a negative impact on capital adequacy, but no impact on large exposures, in the period of initial application. IFRS 9 requires all assets measured at amortised cost and fair value through other comprehensive income, as well as guarantees and loan commitments, to be included in the impairment test. Currently NBN does not calculate collective provisions for off balance sheet exposures or the AFS portfolio.

The assets to test for impairment will be divided into three groups depending on the stage of credit deterioration. Stage 1 includes assets where there has been no significant deterioration in credit risk, stage 2 includes assets where there has been a significant deterioration and stage 3 includes assets that have been individually assessed to be impaired. In stage 1, the provisions should equal the 12 month expected loss. In stage 2 and 3, the provisions should equal the lifetime expected losses.

NBN's current model for calculating collective provisions defines a loss event as a deterioration in rating/scoring, but it is not expected that the loss event in the current model will equal the trigger event for moving items from stage 1 to stage 2 under IFRS 9. Currently NBN does not, in addition, hold any provisions for assets where there has been no deterioration in credit risk. For assets where there has been a significant deterioration in credit risk, NBN currently holds provisions based on a 12 month expected loss, while IFRS 9 will require provisions equal to the lifetime expected loss. This means total provisions will increase when IFRS 9 is implemented. For assets where there has been a significant deterioration in credit risk, NBN currently holds provisions based on the losses estimated to occur during the period between the date when the loss event occurred and the date when the loss event is identified on an individual basis, the so called "Emergence period", while IFRS 9 will require provisions equal to the lifetime expected loss. This means total provisions will increase when IFRS 9 is implemented.

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

NBN has not yet finalised the impact assessment of the implementation of IFRS 9.

IFRS 15 Revenue from Contracts with Customers
The IASB has published the new standard, IFRS 15 Revenue from Contracts with Customers. The new standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition standards and interpretations within IFRS, such as IAS 18 Revenue. The new standard is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The EU-commission is expected to endorse the standard during the second quarter 2016. NBN does not currently intend to early adopt the standard. The standard does not apply to financial instruments, insurance contracts or lease contracts. NBN has not finalised the investigation of the impact on the financial statements but the current assessment is that the new standard will not have any significant impact on NBN's financial statements, capital adequacy, or large exposures in the period of initial application.

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

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The IASB has amended the requirements in IFRS 10 and IAS 28 regarding sales and contribution of assets between an investor and its associate or joint venture due to inconsistent treatment of gains and losses of such transactions in those standards. The IASB has thereafter proposed to defer indefinitely the effective date and permit earlier application. The amendments are not yet endorsed by the EU commission. NBN does not currently intend to early adopt the amendments. The new requirements are not expected to have any effect on NBN's financial statements, capital adequacy, or large exposures in the period of initial application as the new requirements are in line with NBN's current accounting policies.

IAS 1
The IASB has amended IAS 1 as a result of the IASB's disclosure initiative. The amendments in IAS 1 regards materiality, disaggregation and subtotals, note structure, disclosures of accounting policies and presentation of items of OCI arising from equity accounted investments. The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments are endorsed by the EU commission. NBN does not intend to early adopt the amendments. The new requirements are not expected to have any effect on NBN's financial statements, capital adequacy, or large exposures in the period of initial application.

IFRS 16 Leases
The IASB has published the new standard, IFRS 16 Leases. The new standard changes the accounting requirements for lessees. All leases (except for short contracts and small ticket leases) should be accounted for on the balance sheet of the lessee as a right to use the asset and a liability. The lease payments should be recognised as amortisation and interest expense. The accounting requirements for lessors are unchanged. Additional disclosures are also required. The new standard is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. The amendments are not yet endorsed by the EU Commission. NBN does not currently intend to early adopt the amendments. NBN´s current assessment is that the new standard will change the accounting of property leases which mainly affects NBN´s balance sheet.

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

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to IFRSs, 2012-2014 Cycle

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

a material adjustment to the carrying amount of assets and liabilities within the next financial year, and
• the judgements made when applying accounting policies (apart from those involving estimations) that have the most significant effect on the amounts recognised in the financial statements.

Critical judgements and estimates are in particular associated with:
• the fair value measurement of certain financial instruments
• the impairment testing of:
  – goodwill and
  – loans to the public/credit institutions
• the effectiveness testing of cash flow hedges
• the actuarial calculations of pension liabilities and plan assets related to employees
• assessing control for consolidation purposes
• the valuation of deferred tax assets
• claims in civil lawsuits.

Fair value measurement of certain financial instruments
NBN's accounting policy for determining the fair value of financial instruments is described in section 10 Determination of fair value of financial instruments and Note 39 Assets and liabilities at fair value. Critical judgements that have a significant impact on the recognised amounts for financial instruments is exercised when determining fair value of OTC derivatives and other financial instruments that lack quoted prices or recently observed market prices. Those judgements relate to the following areas:

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

When determining fair value of financial instruments that lack quoted prices or recently observed market prices there is also a high degree of estimation uncertainty. That estimation uncertainty is mainly a result of the judgement management exercises when:
• selecting an appropriate discount rate for the instrument, and
• determining expected timing of future cash flows from the instruments.

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

Sensitivity analysis disclosures covering fair values of financial instruments with significant unobservable inputs can be found in Note 39 Assets and liabilities at fair value.

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

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

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

Effectiveness testing of cash flow hedges
NBN's accounting policies for cash flow hedges are described in section 9 Hedge accounting.

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

Where NBN applies cash flow hedge accounting the hedging instruments used are predominantly cross currency interest rate swaps, which are always held at fair value. The currency component is designated as a cash flow hedge of currency risk and the interest component as a fair value hedge of interest rate risk. The hypothetical derivative method is used when measuring the effectiveness of these cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows on the hedged transaction (the currency component). Critical judgement has to be exercised when defining the characteristics of the perfect hypothetical swap.

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

The defined benefit obligation for major pension plans is calculated by external actuaries using demographic assumptions based on the current population. As a basis for these calculations a number of actuarial and financial parameters are used.

The estimation of the discount rate is subject to uncertainty around whether corporate bond markets are deep enough, of high quality and also in connection to the extrapolation of yield curves to relevant maturities. In Norway the discount rate is determined with reference to covered bonds. Other parameters, like assumptions about salary increases and inflation, are based on the expected long-term development of these parameters and also subject to estimation uncertainty. The main parameters used at year-end are disclosed in Note 32 Retirement benefit obligations together with a description of the sensitivity related to the most significant parameters.

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

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

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

More information on lease contracts can be found in Note 22 Leasing.

Classification of additional tier 1 instruments
NBN has issued perpetual subordinated instruments where the interest payments to the holders are at the discretion of NBN and non-accumulating. These instruments also include a requirement for NBN to pay interest if the instruments are no longer allowed to be included in tier 1 capital. If there is a requirement to pay interest based on the occurrence or non-occurrence of an uncertain future event that is beyond the control of both the issuer and the holder of the instrument, the instrument shall be classified as a financial liability. The inclusion of the subordinated loan in tier 1 capital is decided by the regulators and is thus beyond the control of NBN and the holders of the instrument. NBN classifies the instruments as financial liabilities.

Assessing control for consolidation purposes
One decisive variable when assessing if NBN controls another entity is whether NBN is exposed to variability in returns from the investment. For structured entities where voting rights are not the dominant factor when determining control, critical judgement has to be exercised when defining when NBN is exposed to significant variability in returns. NBN's critical judgement is that NBN is normally exposed to variability in returns when NBN receives more than 30% of the return produced by the structured entity. This is only relevant for structured entities where NBN also is the investment manager and thus have influence over the return produced by the structured entity.

Another judgement relating to control is whether NBN acts as an agent or as a principal. For unit linked and other contracts where the policyholder/depositor decides both the amount and which assets to invest in, NBN is considered to act as an agent and thus does not have control.

Translation of assets and liabilities denominated in foreign currencies
NBN's accounting policies covering the translation of assets and liabilities denominated in foreign currencies is described in section 8 Translation of assets and liabilities denominated in foreign currencies.

When reporting consolidated financial statements, the parent company NBN Bank AB (publ) has been assessed to have two functional currencies, SEK and EUR, based on the different activities. The functional currency of the normal banking operations is SEK and the functional currency of the entity holding equity, shares in group undertakings and the funding of those shares is EUR. It is NBN's assessment that one legal entity can consist of different entities with different functional currencies.

Valuation of deferred tax assets
NBN's accounting policy for the recognition of deferred tax assets is described in section 18 Taxes and Note 12 Taxes.

The valuation of deferred tax assets is influenced by management's assessment of NBN's future profitability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. These assessments are updated and reviewed at each balance sheet date, and are, if necessary, revised to reflect the current situation.

Claims in civil lawsuits
Within the framework of the normal business operations, NBN faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts. Presently, none of the current disputes are considered likely to have any significant adverse effect on NBN or its financial position. See also Note 31 Provisions and Note 35 Contingent liabilities.

5. Principles of consolidation

Consolidated entities

The consolidated financial statements include the accounts of the parent company NBN Bank Norge ASA, and those entities that the parent company controls. Control exists when NBN is exposed to variability in returns from its investments in another entity and has the ability to affect those returns through its power over the other entity. Control is generally achieved when the parent company owns, directly or indirectly through group undertakings, more than 50 per cent of the voting rights or otherwise has the power to govern the financial and operating policies of the entity.

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

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

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

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

Equity and net income attributable to non-controlling interests are separately disclosed on the balance sheet, income statement and statement of comprehensive income. Intra-group transactions and balances between the consolidated group undertakings are eliminated.

The Group undertakings are included in the consolidated accounts as from the date on which control is transferred to NBN and are no longer consolidated as from the date on which control ceases.

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

Note 20 Investments in group undertakings lists the major group undertakings in the NBN Group.

Investments in associated undertakings

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

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

NBN does generally not have any sales or contribution of assets to or from associated undertakings. Other transactions between NBN and its associates are not eliminated.

Note 19 Investments in associated undertakings lists the major associated undertakings in the NBN Group.

Currency translation of foreign entities

The consolidated financial statements are prepared in Norwegian Kroner (NOK), the presentation currency of the parent company NBN Bank Norge ASA. The current method is used when translating the financial statements of foreign entities into NOK from their functional currency. The assets and liabilities of foreign entities have been translated at the closing rates, while items in the income statement and statement of comprehensive income are translated at the average exchange rate for the year. The average exchange rates are calculated based on daily exchange rates divided by the number of banking days in the period. Translation differences are accounted for in other comprehensive income and are accumulated in the translation reserve in equity. NBN does not have any foreign entities.

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

6. Recognition of operating income and impairment

Net interest income

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

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

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

The interest component in FX swaps, and the interest paid and received in interest rate swaps plus changes in accrued interest, is classified as Net result from items at fair value, apart from derivatives used for hedging, including economical hedges of NBN's funding, where such components are classified as Net interest income. During 2015 1,2bn(1.5bn in 2014) was recognized as interest expense connected to economical hedges.

Net fee and commission income

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

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

Income from issued financial guarantees and expenses from bought financial guarantees, including fees paid to state guarantees, are amortised over the duration of the instruments and classified as Fee and commission income and Fee and commission expense respectively.

Net result from items at fair value

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

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

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

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

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

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

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

Profit from companies accounted for under the equity method

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

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

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

Other operating income

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

Net loan losses

Impairment losses from financial assets classified into the category Loans and receivables (see section 12 Financial instruments), in the items Loans to central banks, Loans to credit institutions and Loans to the public on the balance sheet, are reported as Net loan losses together with losses from financial guarantees. Losses are reported net of any collateral and other credit enhancements. NBN's accounting policies for the calculation of impairment losses on loans can be found in section 13 Loans to the public/credit institutions.

Counterparty losses on instruments classified into the category Financial assets at fair value through profit or loss, including credit derivatives but excluding loans held at fair value as described above, as well as impairment on financial assets classified into the category Available for sale are reported under Net result from items at fair value.

Impairment of securities held as financial non-current assets

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

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

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

7. Recognition and derecognition of financial instruments on the balance sheet

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

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

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

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

For further information, see sections Securities borrowing and lending agreements and Repurchase and reverse repurchase agreements within section 12 Financial instruments, as well as Note 41 Transferred assets and obtained collaterals.

8. Translation of assets and liabilities denominated in foreign currencies

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

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

9. Hedge accounting

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

NBN uses hedge accounting in order to have a symmetrical accounting treatment of the changes in fair value of the hedged item and changes in fair value of the hedging instruments as well as to hedge the exposure to variability in future cash flows.

There are two forms of hedge accounting in NBN:
- fair value hedge accounting
- cash flow hedge accounting

Fair value hedge accounting

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

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

Hedged items

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

Hedging instruments

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

Cash flow hedge accounting

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

Gains or losses on hedging instruments recognised in the cash flow hedge reserve in equity through other comprehensive income are recycled and recognised in the income statement in the same period as the hedged item affects profit or loss, normally in the period that interest income or interest expense is recognised.

Hedged items

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

Hedging instruments

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

Hedge effectiveness
The application of hedge accounting requires the hedge to be highly effective. A hedge is regarded as highly effective if at inception and throughout its life it can be expected that changes in fair value of the hedged item as regards the hedged risk can be essentially offset by changes in fair value of the hedging instrument. The result should be within a range of 80–125 per cent. When assessing hedge effectiveness retrospectively NBN measures the fair value of the hedging instruments and compares the change in fair value of the hedging instrument to the change in fair value of the hedged item. The effectiveness measurement is made on a cumulative basis. The hypothetical derivative method is used when measuring the effectiveness of cash flow hedges, meaning that the change in a perfect hypothetical swap is used as proxy for the present value of the cumulative change in expected future cash flows from the hedged transaction (the currency component).

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

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

10. Determination of fair value of financial instruments

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

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

The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used to measure financial assets and financial liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. The absolute level for liquidity and volume required for a market to be considered active vary with the instrument classes. For some classes low price volatility is seen, also for those instruments within the class where the trade frequency is high. For instruments in such a class the liquidity requirements are lower and, correspondingly, the age limit for the prices used for establishing fair value is higher. See Note 38 Classification of financial instruments for more information.

If markets are considered active or non-active is assessed regularly. The trade frequency and volume are monitored daily.

NBN is predominantly using published price quotations to establish fair value for items disclosed under the following balance sheet items:
- Interest-bearing securities
- Shares (listed)
- Derivatives (listed)

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

NBN is predominantly using valuation techniques to establish fair value for items disclosed under the following balance sheet items:
- Interest-bearing securities (when quoted prices in an active market are not available)
- Shares (when quoted prices in an active market are not available), and
- Derivatives (OTC-derivatives).

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

Note 39 Assets and liabilities at fair value provides a breakdown of fair values of financial instruments measured on the basis of:
- quoted prices in active markets for the same instrument (level 1),
- valuation technique using observable data (level 2), and
- valuation technique using non-observable data (level 3).

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

New valuation models are subject to approval by a Model Risk Management Committee and all models are reviewed on a regular basis.

For further information, see Note 39 Assets and liabilities at fair value.

11. Cash and balances with central banks

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

- The central bank or the postal giro system is domiciled in the country where the institutions is established.
- The balance is readily available at any time.

12. Financial instruments

Classification of financial instruments

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

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

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

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories forms the basis for how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In Note 38 Classification of financial instruments the classification of the financial instruments on NBN's balance sheet into different categories is presented.

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

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

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

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

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

Loans and receivables

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

Held to maturity

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

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

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

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

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

Other financial liabilities
Financial liabilities, other than those classified into the category Financial liabilities at fair value through profit or loss, are measured at amortised cost. Interest on Other financial liabilities is recognised in the item Interest expense in the income statement.

Hybrid (combined) financial instruments

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

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

Securities borrowing and lending agreements

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

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

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

Repurchase and reverse repurchase agreements

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

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

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

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

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

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

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

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

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

13. Loans to the public/credit institutions
Financial instruments classified as Loans to the public/credit institutions (including loans to central banks) on the balance sheet and into the category Loans and receivables are measured at amortised cost (see also the separate section 7 Recognition and derecognition of financial instruments on the balance sheet as well as Note 39 Classification of financial instruments).

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

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

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

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

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

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

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

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

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

Impairment loss
If the carrying amount of the loans is higher than the sum of the net present value of estimated cash flows (discounted with the original effective interest rate), including the fair value of the collaterals and other credit enhancements, the difference is the impairment loss.

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

For insignificant loans that have been individually identified as impaired and for loans not identified as impaired on an individual basis the measurement of the impairment loss is measured using a portfolio based expectation of the future cash flows.
If the impairment loss is not regarded as final, the impairment loss is accounted for on an allowance account representing the accumulated impairment losses. Changes in the credit risk and accumulated impairment losses are accounted for as changes in the allowance account and as Net loan losses in the income statement (see also section 6 Recognition of operating income and impairment).

If the impairment loss is regarded as final, it is reported as a realised loss and the value of the loan and the related allowance for impairment loss are derecognised. An impairment loss is regarded as final when the obligor is filed for bankruptcy and the administrator has declared the economic outcome of the bankruptcy procedure, or when NBN forgives its claims either through a legal based or voluntary reconstruction or when NBN, for other reasons, deem it unlikely that the claim will be recovered.

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

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

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

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

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

14. Leasing

NBN as lessor

Finance leases

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

Operating leases

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

NBN as lessee

Finance leases

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

Operating leases

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

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

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

15. Intangible assets

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

Goodwill

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

IT-development/Computer software

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

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

Other intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

Current tax is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred tax assets and liabilities are recognised, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits. Deferred tax is not recognised for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor for differences relating to investments in group undertakings and associated undertakings to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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

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

19. Earnings per share

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

20. Employee benefits

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

Short-term benefits

Short term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to NBN. NBN has also issued share-based payment programmes, which are further described in section 23 Share-based payments.

More information can be found in Note 8 Staff costs.

Post-employment benefits

Pension plans

The companies within NBN have various pension plans The major defined benefit pension plans are funded schemes covered by assets in pension funds. If the fair value of plan assets, associated with a specific pension plan, is lower than the gross present value of the defined benefit obligation determined using the projected unit credit method, the net amount is recognised as a liability (Retirement benefit liabilities). If not, the net amount is recognised as an asset (Retirement benefit assets). Non-funded pension plans are recognised as Retirement benefit liabilities .

NBN Bank Norge also has plans based on defined contribution arrangements that hold no pension liability for NBN. All defined benefit pension plans are closed for new employees.

Pension costs

Obligations for defined contribution pension plans are recognised as an expense as the employee renders services to the entity and the contribution payable in exchange for that service becomes due. NBN's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value. Actuarial calculations including the projected unit credit method are applied to assess the present value of defined benefit obligations and related costs, based on several actuarial and financial assumptions (as disclosed in Note 32 Retirement benefit obligations).

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

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

Social security contribution is calculated and accounted for based on the net recognised surplus or deficit by plan and is included on the balance sheet as Retirement benefit liabilities or Retirement benefit assets.

Discount rate in defined benefit pension plans

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

Termination benefits

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

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

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

21. Equity

Non-controlling interests

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

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

Other reserves

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

Retained earnings

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

22. Financial guarantee contracts and credit commitments

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

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

23. Share-based payment

Equity-settled programmes

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

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

For more information see Note 8 Staff costs and NBN Bank AB (publ.) Annual Report.

Cash-settled programmes

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

For more information see Note 8 Staff costs and NBN Bank AB (publ.) Annual Report.

24. Related party transactions

NBN Bank Norge defines related parties as:

- Shareholders with significant influence
- Group undertakings
- Associated undertakings
- Key management personnel
- Other related parties

All transactions with related parties are made on an arm's length basis. For information concerning transactions with related parties see Note 43 Related-party transactions, apart from loans granted to employees, see Note 8 Staff costs.

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

Group undertakings
For the definition of Group undertakings see section 5 Principles of consolidation. Further information on the undertakings included in the NBN Group is found in Note 18 Investments in group undertakings.

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

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

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

Key management personnel
Key management personnel includes the following positions:
- The Board of Directors
- The Chief Executive Officer (CEO)
- The Group Executive Management (GEM), the Control Committee and the Board of Representatives

For information about compensation, pensions and other transactions with key management personnel, see Note 8 Staff costs. Information concerning other transactions between NBN and key management personnel is found in NBN Bank AB (publ.) Annual Report Note 43 Related-party transactions.

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

Information concerning transactions between NBN and other related parties is found in Note 43 Related-party transactions.

25. Exchange rates

EUR 1 = NOK	2015	2014
Income statement (average)	8.9434	8.3597
Balance sheet (at end of period)	9.6030	9.0420
USD 1 = NOK		
Income statement (average)	8.0624	6.3069
Balance sheet (at end of period)	8.8206	7.4475
SEK 1 = NOK		
Income statement (average)	0.9562	0.9186
Balance sheet (at end of period)	1.0450	0.9626
DKK 1 = NOK		
Income statement (average)	1.1991	1.1214
Balance sheet (at end of period)	1.2868	1.2145

Note 2:

Segment reporting[1]

	Retail Banking NO		Wholesale Banking: CIB Total		Wholesale Banking: Shipping, Offshore & Oil Services		Wholesale Banking: Other Wholesale[3,4]		Group Corporate Centre		Wealth Management[4]		Total Operating segments		Reconciliation[2,3]		Total Group	
	Jan-Dec 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Net interest income	6,272	6,489	801	969	1,146	1,057	23	118	3,178	3,664	-2	-2	11,418	12,295	-2,084	-2,487	9,334	9,808
Net fee and commission income	1,883	1,856	600	716	302	295	578	723	30	36	-583	-542	2,810	3,084	-210	-416	2,600	2,668
Net result from items at fair value	897	671	406	323	123	125	290	353	-120	166	0	0	1,596	1,638	-1,194	-1,018	402	620
Profit from companies accounted for under the equity method	4	3	0	0	0	0	0	0	0	0	0	0	4	3	253	-61	257	-58
Other income	85	57	-2	-3	6	6	3	0	86	23	24	11	202	94	34	41	236	135
Total operating income, NOKm	**9,141**	**9,076**	**1,805**	**2,005**	**1,577**	**1,483**	**894**	**1,194**	**3,174**	**3,889**	**-561**	**-533**	**16,030**	**17,114**	**-3,201**	**-3,941**	**12,829**	**13,173**
Staff costs	-1,834	-1,811	-59	-64	-100	-111	-604	-629	-124	-115	-80	-77	-2,801	-2,807	-488	-381	-3,289	-3,188
Other expenses	-2,123	-2,167	-429	-423	-138	-140	554	591	-220	-287	268	273	-2,088	-2,153	148	205	-1,940	-1,948
Depreciation, amortisation and impairment charges of tangible and intangible assets	-112	-120	0	0	0	0	-622	-642	-13	-18	-1	0	-748	-780	613	418	-135	-362
Total operating expenses before loan losses	**-4,069**	**-4,098**	**-488**	**-487**	**-238**	**-251**	**-672**	**-680**	**-357**	**-420**	**187**	**196**	**-5,637**	**-5,740**	**273**	**242**	**-5,364**	**-5,498**
Net loan losses	-308	-496	-361	-349	-76	25	0	0	-33	-14	0	0	-778	-834	8	13	-770	-821
Operating profit, NOKm	**4,764**	**4,482**	**956**	**1,169**	**1,263**	**1,257**	**222**	**514**	**2,784**	**3,455**	**-374**	**-337**	**9,615**	**10,540**	**-2,920**	**-3,686**	**6,695**	**6,854**
Income tax expense[5]	-1,119	-1,237	-224	-323	-297	-347	-52	-142	-654	-953	88	93	-2,258	-2,909	686	1,018	-1,572	-1,891
Net profit for the year	**3,645**	**3,245**	**732**	**846**	**966**	**910**	**170**	**372**	**2,130**	**2,502**	**-286**	**-244**	**7,357**	**7,631**	**-2,234**	**-2,668**	**5,123**	**4,963**
Balance sheet, NOKmrd																		
Loans to the public, NOKbn	424	411	32	30	55	50	1	9	0	0	0	0	512	500	0	0	512	500
Deposits and borrowings from the public, NOKbn	174	176	48	42	18	19	0	0	0	0	0	0	240	237	0	0	240	237

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	
	2015	2014	2015	2014	2015	2014	2015	2014
Total Operating segments	16,030	17,114	9,615	10,540	512	500	240	237
Reconciliation[2]	-1,753	-2,335	-2,095	-2,718	0	0	0	0
Eliminations	-2	-1	0	0	0	0	0	0
Differences in accounting policies	0	0	0	0	0	0	0	0
Differences in accounting policies between the segments and the group regarding Markets [3]	-1,446	-1,605	-825	-968	0	0	0	0
Total	**12,829**	**13,173**	**6,695**	**6,854**	**512**	**500**	**240**	**237**

[1] Segment reporting has been changed as a consequence of organisational changes throughout 2015. Comparative information has been restated accordingly.

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

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

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

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

Note 2:
Segment reporting cont.

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

Compared with the 2014 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 group functions and eliminations as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

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

Total operating income split on product groups

NOKm	2015	2014
Banking products	11,262	11,608
Capital Markets products	938	1,130
Savings Products & Asset Management	225	164
Life & Pensions	107	87
Other	297	184
Total	**12,829**	**13,173**

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

Note 3:
Net interest income

NOKm	Group 2015	Group 2014	Parent company 2015	Parent company 2014
Interest income				
Loans to credit institutions	240	351	696	917
Loans to the public	15,183	17,087	11,420	12,284
Interest-bearing securities	1,386	1,317	1,455	1,610
Other interest income	782	988	249	535
Interest income	**17,591**	**19,743**	**13,820**	**15,346**
Interest expense				
Deposits by credit institutions	-1,659	-1,856	-1,665	-1,861
Deposits and borrowings from the public	-2,541	-3,737	-2,541	-3,738
Debt securities in issue	-1,950	-2,029	-164	-133
Subordinated liabilities	-465	-434	-465	-434
Other interest expenses[1]	-1,642	-1,879	-1,969	-2,091
Interest expense	**-8,257**	**-9,935**	**-6,804**	**-8,257**
Net interest income	**9,334**	**9,808**	**7,016**	**7,089**

[1] Includes net interest income from derivatives, measured at fair value and related to Nordeas funding. This can have both a positive and negative impact on other interest expense, for further information see Note 1 Accounting policies.

Interest income from financial instruments not measured at fair value through profit and loss amounts to NOK 16,317m (NOK 18,563m) for the group and NOK 12,476m (NOK 13,874m) for the parent company. Interest expenses from financial instruments not measured at fair value through profit and loss amounts to NOK 6,649m (NOK 8,090m) for the group and NOK 4,869m (NOK 6,199m) for the parent company.

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

Note 4:
Net fee and commission income

	Group		Parent company	
NOKm	2015	2014	2015	2014
Asset management commissions	184	104	184	104
Life insurance	107	87	107	87
Brokerage, securities issues and corporate finance	489	409	489	409
Custody and issuer services	199	222	199	222
Deposits	41	61	41	61
Total savings and investments	**1,020**	**883**	**1,020**	**883**
Payments	412	372	413	373
Cards	866	852	862	848
Total payment and cards	**1,278**	**1,224**	**1,275**	**1,221**
Lending	1,057	1,198	889	1,029
Guarantees and documentary payments	25	17	25	17
Total lending related to commissions	**1,082**	**1,215**	**914**	**1,046**
Other commission income	102	179	105	180
Fee and commission income	**3,482**	**3,501**	**3,314**	**3,330**
Savings and investments	-151	-134	-146	-130
Payments	-299	-283	-299	-283
Cards	-390	-373	-389	-373
Lending	-3	-6	-1	-3
Other commission expenses	-39	-37	-36	-34
Fee and commission expense	**-882**	**-833**	**-871**	**-823**
Net fee and commission income	**2,600**	**2,668**	**2,443**	**2,507**

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amount to NOK 780m (NOK 600m) for the Group and NOK 780m (NOK 600m) for the parent company.

Fee income, not included in determining the effective interest rate, from fiduciary activities that result in the holding or investing of assets on behalf of customers amount to NOK 1098m (NOK 1259m) for the Group and NOK 930m (NOK 1090m) for the parent company. The corresponding amount for fee expenses is NOK 0m (NOK 0m) for the Group.

Note 5:
Net result from items at fair value

	Group		Parent	
NOKm	2015	2014	2015	2014
Shares/participations and other share-related instruments	41	100	38	96
Interest-bearing securities and other interest-related instruments	-75	162	-60	181
Foreign exchange gains/losses	433	352	428	356
Investment properties	3	6	0	2
Total	**402**	**620**	**406**	**635**

Net result from categories of financial instruments

	Group		Parent	
NOKm	2015	2014	2015	2014
Available for sale assets, realised	18	34	17	30
Financial instruments designated at fair value through profit or loss	30	29	28	40
Financial instruments held for trading	-55	260	-61	295
Financial instruments under fair value hedge accounting	-47	-19	-17	-39
- of which net result on hedging instruments	101	957	233	-140
- of which net result on hedged items	-148	-976	-251	101
Financial assets measured at amortised cost	174	25	161	20
Foreign exchange gains/losses excl currency hedges	281	303	281	306
Other	1	-12	-3	-17
Total	**402**	**620**	**406**	**635**

Note 6:
Dividends and group contribution

	Parent company	
NOKm	2015	2014
Investments in group undertakings	1 808	675
Total	**1 808**	**675**

Note 7:
Other operating income

	Group		Parent company	
NOKm	2015	2014	2015	2014
Income from real estate	1	5	4	5
Disposals of tangible and intangible assets	59	56	1	5
Other	176	74	312	203
Total	**236**	**135**	**317**	**213**

Note 8:
Staff costs

NOKm	Group 2015	Group 2014	Parent company 2015	Parent company 2014
Salaries and remunerations	2,308	2,281	2,181	2,160
Pension costs (specification below)	369	330	355	320
Social security contributions	409	389	390	370
Allocation to profit-sharing[1]	80	73	75	68
Other staff costs	123	115	115	109
Total[1]	**3,289**	**3,188**	**3,116**	**3,027**

[1] Allocation to profit-sharing foundation in 2015 consisted of a new allocation of NOK 79m (73m for the parent company) and additional cost related to prior years of NOK 1m (2m for the parent company). In 2014 new allocation amounted to 69m (64m for the parent) and allocation for prior year amounted to 4m (4m for the parent).

Pension costs (excluding social charges) NOKm	Group 2015	Group 2014	Parent company 2015	Parent company 2014
Defined Benefit plans (Note 32)	299	266	288	260
Defined Contribution plans (Note 32)	70	64	67	60
Total[1]	**369**	**330**	**355**	**320**

[1]Amounting to 422m (408m for the parent) including social charges in 2015 and 6m (8m for the parent) in 2014.

	Group 2015	Group 2014	Parent company 2015	Parent company 2014
Number of employees/full time positions				
Number of employees as at 31.12	2,874	2,955	2,676	2,769
Full-time equivalents as at 31.12.	2,645	2,702	2,460	2,534
- of which men	1,253	1,434	1,299	1,349
- of which women	1,392	1,268	1,161	1,185
Average full time equivalents	2,694	2,801	2,512	2,626
- of which men	1,274	1,476	1,328	1,388
- of which women	1,420	1,325	1,184	1,238
Gender distribution Board of Directors				
Percent at year-end				
- Men	74	73	60	60
- Women	26	27	40	40

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

The qualitative disclosures under these regulations can be found in the separate section on remuneration in the Board of Directors' Report in NB AB's annual report, while the quantitative disclosures will be published in a separate report on Nordea's homepage (www.nordea.com) one week before the Annual General Meeting on 17 March 2016.

Remuneration to the CEO and senior executives

Statement to the Annual General Meeting 2015 about Salaries and Other Remuneration to Senior Executives

Pursuant to Section 6-16a of the Norwegian Public Limited Liability Companies Act, the Board of Directors of Nordea Bank Norge ASA will issue the following statement to the company's Annual General Meeting 2015:

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

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

Compensation to the CEO
The CEO is employed by Nordea Bank AB (publ.) and works through the company's Norwegian branch. The CEO receives her salary and other remuneration from Nordea Bank AB (publ.). Nordea Bank Norge ASA compensates Nordea Bank AB (publ.) for the services rendered by the CEO.

Note 8:
Staff costs cont.

This compensation is proposed by the Board of Directors and decided on by the Board of Representatives. For 2015 the compensation was fixed at NOK 1,500,000.

The CEO did not receive any bonuses or non-monetary benefits from Nordea Bank Norge ASA for 2015, and did not receive any remuneration in the form of shares, options, etc. in Nordea Bank Norge ASA in 2015, as mentioned in Section 6-16 a, no. 3, however see also comments under non-monetary benefits below.

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

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

In 2015, an individual incentive scheme also applied to senior executives, comprising a Variable Salary Part (VSP). This scheme was contingent upon the management's decision based on predetermined criteria and was limited to a percentage of the regular fixed salary.

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

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

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

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

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

The Executive Incentive Programme covers 46 senior executives in 2015.

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

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

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

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

Effects on the company in 2015
The above principles and guidelines have been in practice over time, and are complied with in 2014, with the exception of minor adjustments for key management staff and the annual assessment of group and personal goals. We have no reason to point to any specific effects for the company or the shareholders.

Guidelines for 2016
The principles and guidelines described above will also apply to 2015. However, necessary adjustments will be made in line with amendments of relevant laws and regulations concerning incentive programmes in financial institutions.

Note 8:
Staff costs cont.

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

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

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

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

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

Loans and interest – total loan engagement as of 31 December 2015. Senior executives are given loans on the same terms as regular employees. The employee interest rate for loans is variable and was at 31 December 2015 at 1,7% for loans up to 5m and 2,25% for loans above 5m. Loans to family members of senior executives are granted on normal market terms, as well as loans to senior executives not employed by Nordea. Interest includes interest income on the loans for Nordea Bank Norge during 2015. The Chairman of the Board of NBN ASA does not have loans in NBN.

Shares and options – None of the senior executives has shares, option rights or hold part of any option programme within NBN. However, some senior executives in NBN are part of the NB AB share option programme, referred to above as Long Term Incentive Programme, LTIP. Total costs for NBN Group related to the LTIP program amounted to 0m (0m for the parent) in 2015 and 18m (17m for the parent) in 2014, including social security, of which 0m (0m) relates to the individuals below.

Salaries and remuneration – per individual, figures in NOK thousand, 2015

Name and position	Fixed salary and fees	Variable salary	Benefits	Pensions	**Total remune-ration**	Pension obligation	Loans	Interest
Gunn Wærsted, CEO[1]							1,741	45
Lennart Jacobsen, Chairman of the Board (from 26.8) [1]								
Tom Johannessen (from 28.3)[1]								
Hilde Merete Tonne (from 28.3)	169				169			
Karin S. Thorburn	202				202			
Hans Christian Riise, employee representative	884	24	19	84	1,011	1,835		
Ari Kaperi, former Chairman of the Board (until 26.8) [1]								
Torsten Hagen Jørgensen (until 28.3)[1]								
Mary Helene Moe (until 28.3)	50				50			
Total CEO and Board of Directors of NBN ASA[1]	**1,305**	**24**	**19**	**84**	**1,432**	**1,835**	**1,741**	**45**
Lennart Jacobsen, Chairman of the Board (from 14.9)[1]								
Karin S. Thorburn	60				60			
Ari Kaperi, former Chairman of the Board (until 14.09)[1]								
Total Board Audit Committee of NBN ASA1	**60**	**0**	**0**	**0**	**60**	**0**	**0**	**0**
Inger-Johanne Lund, Chairman	174				174			
Christian Hambro [2]	145				145			
Janicke L. Rasmussen	105				105			
Odd Svang-Rasmussen [3]	135				135			
Total Control Committee of NBN ASA	**559**	**0**	**0**	**0**	**559**	**0**	**0**	**0**
Total Board of Representatives of NBN ASA[4, 5]	**2,711**	**196**	**91**	**177**	**3,175**	**4,993**	**28,788**	**620**
Total remuneration and loans to Senior Executives	**4,635**	**220**	**110**	**261**	**5,226**	**6,828**	**28,790**	**620**

Note 8:
Staff costs cont.

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

Name and position	Fixed salary and fees	Variable salary	Benefits	Pensions	**Total remune-ration**	Pension obligation	Loans	Interest
Gunn Wærsted, CEO[1]							2,486	79
Ari Kaperi, Chairman of the Board [1]								
Torsten Hagen Jørgensen[1]								
Mary Helene Moe	198				198			
Karin S. Thorburn	198				198			
Hans Christian Riise, employees' representative	865	15	16	89	985	1,648	841	22
Total CEO and Board of Directors of NBN ASA[1]	**1,261**	**15**	**16**	**89**	**1,381**	**1,648**	**3,327**	**101**
Ari Kaperi, Chairman of the Board[1]								
Karin S. Thorburn	36				36			
Total Board Audit Committee of NBN ASA[1]	**36**	**0**	**0**	**0**	**36**	**0**	**0**	**0**
Inger-Johanne Lund, Chairman	174				174			
Christian Hambro	145				145			
Janicke L. Rasmussen	105				105			
Odd Svang-Rasmussen	135				135			
Total Control Committee of NBN ASA	**559**	**0**	**0**	**0**	**552**	**0**	**0**	**0**
Total Board of Representatives of NBN ASA[4, 5]	**2,527**	**117**	**63**	**168**	**2,875**	**4,193**	**17,848**	**492**
Total remuneration and loans to Senior Executives	**4,384**	**132**	**79**	**257**	**4,852**	**5,841**	**21,175**	**593**

Comments

[1] Nordea Bank Norge does not operate with a separate local General Executive Management team (GEM). This is based on the Nordea operating model where all business areas and main group functions are managed on a Nordic level through GEM in Nordea Bank AB (publ) (NB AB). GEM is represented in the NBN Board of Directors through Lennart Jacobsen and Tom Johannessen. The CEO is employed by the NB AB branch in Norway and a member of GEM. This ensures that Nordea is managed according to Nordea Group strategy. The CEO and the Members of the Board employed in Nordea companies do not receive any individual fee for the services provided to NBN. However, NBN paid compensation of NOK 4.4m to NB AB (4.6m in 2014). In addition, as a compensation to NB AB branch in Norway for the work relating to the position as CEO of Nordea Bank Norge ASA, the Board of Representatives has approved an amount of NOK 1.5m for 2015 (same level as in 2014).

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

[2] Member of Control Committees in both NBN and Nordea Finans Norge AS (NFN). NOK 40,000 (40,000 for 2014) of total fees shown in the table is remunerated from NFN for membership in the NFN Control Committee .

[3] Member of Control Committees in both NBN and Nordea Finans Norge AS (NFN). NOK 30,000 (30,000 for 2014) of total fees shown in the table is remunerated from NFN for membership in the NFN Control Committee .

[4] Total fee paid in 2015 to all members of the Board of Representatives in NBN was NOK 242,800 (NOK 201,900 in 2014), of which NOK 163,6000 (NOK 138,700 in 2014) was paid to external members not employed by Nordea. All attending members received NOK 3,600 (NOK 3,600 in 2013) for each of the three meetings during the year (two in 2014). Loans to external members amounted to NOK 16,179,904 (NOK 9,416,624 in 2014) at year end, and the fees were paid according to attendance with up to NOK 10,800 to the following external members in 2015: Inger-Johanne Lund, Øyvind A. Brøymer, John Giverholt, Christian Hambro, Jens L. Hofgaard, Nina Iversen, Petter Faye-Lund, Hege Marie Norheim, Stein Wessel-Aas, Peter Groth and Sissel Stenberg. Fees in 2014 paid according to attendance with up to NOK 7,200 to the external members: Inger Johanne Lund, Øyvind A. Brøymer, John Giverholt, Christian Hambro, Jens L. Hofgaard, Nina Iversen, Petter Faye-Lund, Hege Marie Norheim, Stein Wessel-Aas, Peter Groth, Sissel Stenberg and Karin S. Thorburn. The fee to the chairman Bjarne Aamodt was NOK 65,900 (NOK 65,900 in 2014) and to the deputy chairman Cato A. Holmsen NOK 18,500 (NOK 18,500 in 2014). For Nordea employed members, the following members received up to NOK 39,600 in 2015: Marianne Schøitz, Arve Sæther, Harald Rune Ulstein, Kjell Arne Ystenes, Erik A. Gunnestad, Ellen Sara Teig and Hedda Grundt. For Nordea employed members, the following members received up to NOK 34,400 in 2014: Arve Sæther, Marianne Schøitz, Harald Rune Ulstein, Kjell Arne Ystenes Ellen Sara Teig and Hedda Grundt. The other figures above shows the remunerations the Nordea employed members received in relation to their regular employment with Nordea.

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

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

Note 8:
Staff costs cont.

Loans to employees
Loans to the Group's employees (including retired employees) totalled NOK 7.7bn as of 31 December 2015 (NOK 7.3bn as of 31 December 2014). The interest income totalled NOK 39m on these loans in 2015 (NOK 30m in 2014). The effect is included in Net interest income.

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

In addition Nordea in 2013 introduced the Executive Incentive Programme ('EIP') which aims to strengthen Nordea's capability to retain and recruit the best talents. The aim is further to stimulate the managers and key employees whose efforts have direct impact on Nordea's result, profitability and long term value growth. EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long term result is to be considered when determining the targets. The EIP shall not exceed the fixed salary. EIP shall be paid in the form of cash and be subject to TSR-indexation, deferral, forfeiture clauses and retention as per relevant remuneration regulations. The main part of EIP 2015 is paid no earlier than autumn 2018. Participation in the programme is offered to managers and key employees, except GEM who are instead offered a GEM EIP (further information about the GEM EIP can be found in the Remuneration section in the Board of Director's Report in NB AB's annual report), within the Nordea Group. EIP 2013 is offered instead of Nordea's LTIP and VSP for the invited employees. The allocation of the EIP 2015 is decided during spring 2016, and a reservation of NOK 44m incl. social costs (43m for the parent) has been made in 2015. 80% of the allocated amount will be subject to TSR-indexation.

The table below only includes deferred amounts indexed with Nordea TSR. EIP has been included as from 2015, when deferred. Further information regarding all deferred amounts can be found in the separate report on remuneration published on Nordea's homepage (www.nordea.com).

	Group		Parent company	
NOKm	2015	2014	2015	2014
Opening balance	47,577	57,454	46,897	57,089
Reklassifisering	8,991	0	8,712	0
Deferred/earned during the year	51,686	18,382	49,841	18,005
TSR indexation during the year	2,729	6,819	2,644	6,755
Payments during the year[1]	-32,260	-35,078	-31,741	-34,952
Closing balance	**78,723**	**47,577**	**76,352**	**46,897**

[1] There have been no adjustments due to forfeitures in 2015.

Note 9:
Other expenses

	Group		Parent company	
NOKm	2015	2014	2015	2014
Information technology	673	695	639	654
Marketing and representation	96	135	85	126
Postage, transportation, telephone and office expenses	156	177	144	159
Rents, premises and real estate	442	384	395	396
Other[1]	573	557	533	520
Total	**1,940**	**1,948**	**1,796**	**1,855**

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

Auditors' fees

During the year, the Group has expensed fees of NOK 5,2m including VAT to its external auditors (NOK 3,9m for the parent). For group NOK 4,1m (2,8m for parent) were connected to audit work, while NOK 1,5m (0,5m for parent) were for other services.

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

	Group		Parent company	
NOKm	2015	2014	2015	2014
Depreciation/amortisation				
Properties and equipment (Note 21)	115	117	61	86
Intangible assets (Note 20)	15	50	13	48
Total	**130**	**167**	**74**	**134**
Impairment charges / Reversed impairment charges				
Intangible assets (Note 20)	5	195	5	195
Total	**5**	**195**	**5**	**195**
Total	**135**	**362**	**79**	**329**

Note 11:
Net loan losses

	Group		Parent	
NOKm	2015	2014	2015	2014
Divided by class				
Provisions	-1,273	-1,083	-1,157	-988
Realised loan losses	-1,000	-347	-948	-301
Allowances to cover realised loan losses	864	249	826	219
Reversals of previous provisions	574	318	514	275
Recoveries on previous realised loan losses	64	40	55	33
Loans to the public[1]	**-771**	**-823**	**-710**	**-762**
Provisions	-13	-19	-13	-19
Reversals of previous provisions	14	21	14	21
Off-balance sheet items[2]	**1**	**2**	**1**	**2**
Net loan losses	**-770**	**-821**	**-709**	**-760**

[1] See Note 13 Loans and impairment.

[2] Included in Note 31 Provisions as Individually assessed guarantees and other commitments.

Note 12:
Taxes

Income tax expense

	Group		Parent company	
NOKm	2015	2014	2015	2014
Current tax	-560	-1,045	-202	-694
Deferred tax	-1,012	-846	-1,356	-692
Total	**-1,572**	**-1,891**	**-1,558**	**-1,386**

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

Current and deferred tax recognised in Other comprehensive income

	Group		Parent company	
NOKm	2015	2014	2015	2014
Deferred tax on remeasurements of pension obligation DBP	-265	-39	-264	-46
Deferred tax relating to available-for-sale investments	72	-66	71	-66
Deferred tax relating to cash flow hedges	-64	-33	-48	4
Total	**-257**	**-138**	**-241**	**-108**

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

	Group		Parent company	
NOKm	2015	2014	2015	2014
Profit before tax	6,695	6,854	6,290	5,148
Tax calculated at a tax rate of 27%	-1,808	-1,851	-1,698	-1,390
Income/loss from associated undertakings	64	-15	0	0
Tax-exempt income	9	37	8	32
Non-deductible expenses	-46	-37	-33	-22
Change of tax rate[1]	177	-32	170	-6
Adjustments relating to prior years	31	7	-5	0
Tax charge	**-1,572**	**-1,891**	**-1,558**	**-1,386**
Average effective tax rate	23,5 %	27,6 %	24,8 %	26,9 %

[1] Due to change in corporate tax rate in Norway from 27% to 25% in 2015.

Note 12:
Taxes cont.

Deferred tax

	Group		Parent company	
NOKm	2015	2014	2015	2014
Deferred tax expense (–)/income (+)				
Deferred tax due to temporary differences	–1,012	–846	–1,356	–692
Income tax expense, net	**–1,012**	**–846**	**–1,356**	**–692**

	Group			
	Deferred tax assets		Deferred tax liabilities	
NOKm	2015	2014	2015	2014
Deferred tax related to:				
Tax losses carry-forward	651	2,311	0	0
Financial instruments and derivatives	0	0	4,300	4,595
Properties, equipment and intangible assets	19	10	0	0
Retirement benefit assets/obligations	355	638	0	0
Liabilities/provisions/other	81	60	0	0
Netting between deferred tax assets and liabilities	–1,106	–3,019	–1,106	–3,019
Total	**0**	**0**	**3,194**	**1,576**

	Parent company			
	Deferred tax assets		Deferred tax liabilities	
NOKm	2015	2014	2015	2014
Deferred tax related to:				
Tax losses carry-forward	645	2,257	0	0
Financial instruments and derivatives	0	0	3,554	3,921
Properties, equipment and intangible assets	19	10	0	0
Retirement benefit assets/obligations	342	617	0	0
Liabilities/provisions/other	80	58	0	0
Netting between deferred tax assets and liabilities	–1,086	–2,942	–1,086	–2,942
Total	**0**	**0**	**2,468**	**979**

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

Note 13:
Loans and impairment

Group	Central banks and credit institutions		The public[1]		Total	
NOKm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Loans, not impaired	14,131	17,863	510,528	498,592	524,659	516,455
Impaired loans	0	0	4,455	4,374	4,455	4,374
– Performing	0	0	2,649	2,330	2,649	2,330
– Non-performing	0	0	1,806	2,044	1,806	2,044
Loans before allowances	**14,131**	**17,863**	**514,983**	**502,966**	**529,114**	**520,829**
Allowances for individually assessed impaired loans	0	0	–2,152	–2,428	–2,152	–2,428
– Performing	0	0	–1,229	–1,070	–1,229	–1,070
– Non-performing	0	0	–923	–1,358	–923	–1,358
Allowances for collectively assessed impaired loans	0	0	–813	–616	–813	–616
Allowances	**0**	**0**	**–2,965**	**–3,044**	**–2,965**	**–3,044**
Loans, carrying amount	**14,131**	**17,863**	**512,018**	**499,922**	**526,149**	**517,785**

Parent company	Central banks and credit institutions		The public[1]		Total	
NOKm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Loans, not impaired	54,668	54,138	380,615	361,481	435,284	415,619
Impaired loans	0	0	3,330	3,667	3,330	3,667
– Performing	0	0	2,315	2,199	2,315	2,199
– Non-performing	0	0	1,015	1,468	1,015	1,468
Loans before allowances	**54,668**	**54,138**	**383,945**	**365,148**	**438,614**	**419,286**
Allowances for individually assessed impaired loans	0	0	–1,894	–2,153	–1,894	–2,153
– Performing	0	0	–1,190	–1,024	–1,190	–1,024
– Non-performing	0	0	–704	–1,129	–704	–1,129
Allowances for collectively assessed impaired loans	0	0	–713	–550	–713	–550
Allowances	**0**	**0**	**–2,606**	**–2,703**	**–2,606**	**–2,703**
Loans, carrying amount	**54,668**	**54,138**	**381,338**	**362,445**	**436,008**	**416,583**

[1] Finance leases, where Nordea Bank Norge Group is a lessor, are included in Loans to the public, see Note 22 Leasing.

Note 13:

Loans and impairment cont.

Movements of allowance accounts for impaired loans

Group

	Central banks and credit institutions			The public			Total		
NOKm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2015	**0**	**0**	**0**	**-2,428**	**-616**	**-3,044**	**-2,428**	**-616**	**-3,044**
Provisions	0	0	0	-1,004	-269	-1,273	-1,004	-269	-1,273
Reversal of previous provisions	0	0	0	502	73	575	502	73	575
Changes through the income statement	**0**	**0**	**0**	**-502**	**-196**	**-698**	**-502**	**-197**	**-698**
Allowances used to cover realised loan losses	0	0	0	864	0	864	864	0	864
Reclassification	0	0	0	0	0	0	0	0	0
Translation differences	0	0	0	-87	0	-87	-87	0	-87
Closing balance at 31 Dec 2015	**0**	**0**	**0**	**-2,153**	**-812**	**-2,965**	**-2,153**	**-812**	**-2,965**
Opening balance at 1 Jan 2014	**0**	**0**	**0**	**-1,789**	**-673**	**-2,462**	**-1,789**	**-673**	**-2,462**
Provisions	0	0	0	-1,053	-30	-1,083	-1,053	-30	-1,083
Reversal of previous provisions	0	0	0	231	87	318	231	87	318
Changes through the income statement	**0**	**0**	**0**	**-822**	**57**	**-765**	**-822**	**57**	**-765**
Allowances used to cover realised loan losses	0	0	0	249	0	249	249	0	249
Reclassification	0	0	0	0	0	0	0	0	0
Translation differences	0	0	0	-66	0	-66	-66	0	-66
Closing balance at 31 Dec 2014	**0**	**0**	**0**	**-2,428**	**-616**	**-3,044**	**-2,428**	**-616**	**-3,044**

Parent company

	Credit institutions			The public			Total		
NOKm	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2015	**0**	**0**	**0**	**-2,153**	**-550**	**-2,703**	**-2,153**	**-550**	**-2,703**
Provisions	0	0	0	-931	-226	-1,157	-931	-226	-1,157
Reversal of previous provisions	0	0	0	451	63	514	451	63	514
Changes through the income statement	**0**	**0**	**0**	**-480**	**-163**	**-643**	**-480**	**-163**	**-643**
Allowances used to cover realised loan losses	0	0	0	826	0	826	826	0	826
Translation differences	0	0	0	-87	0	-87	-87	0	-87
Closing balance at 31 Dec 2015	**0**	**0**	**0**	**-1,894**	**-713**	**-2,607**	**-1,894**	**-713**	**-2,607**
Opening balance at 1 Jan 2014	**0**	**0**	**0**	**-1,533**	**-613**	**-2,146**	**-1,533**	**-613**	**-2,146**
Provisions	0	0	0	-968	-21	-989	-968	-21	-989
Reversal of previous provisions	0	0	0	191	84	275	191	84	275
Changes through the income statement	**0**	**0**	**0**	**-777**	**63**	**-714**	**-777**	**63**	**-714**
Allowances used to cover realised loan losses	0	0	0	219	0	219	219	0	219
Translation differences	0	0	0	-62	0	-62	-62	0	-62
Closing balance at 31 Dec 2014	**0**	**0**	**0**	**-2,153**	**-550**	**-2,703**	**-2,153**	**-550**	**-2,703**

Note 13:
Loans and impairment cont.

Allowances and provisions[1]

Group	Central banks and credit institutions		The public		Total	
NOKm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Allowances for items in the balance sheet	0	0	−2,965	−3,044	−2,965	−3,044
Provisions for off balance sheet items	0	0	−46	−48	−46	−48
Total allowances and provisions	**0**	**0**	**−3,011**	**−3,092**	**−3,011**	**−3,092**
Parent company						
Allowances for items in the balance sheet	0	0	−2,607	−2,703	−2,607	−2,703
Provisions for off balance sheet items	0	0	−46	−48	−46	−48
Total allowances and provisions	**0**	**0**	**−2,653**	**−2,751**	**−2,653**	**−2,751**

[1] Included in Note 31 Provisions as Transfer risk, off-balance

Key ratios

	Total			
	Group		Parent	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Impairment rate, gross[1], basis points	84	84	76	87
Impairment rate, net[2], basis points	44	37	33	36
Total allowance rate[3], basis points	56	58	59	64
Allowances in relation to impaired loans[4], %	48	56	57	59
Total allowances in relation to impaired loans[5], %	67	70	78	74
Non-performing loans, not impaired, NOKm	920	840	728	571

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

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

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

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

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

Note 14:
Interest-bearing securities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
State and sovereigns	37,038	36,161	35,540	36,161
Municipalities and other public bodies	3,100	11,309	3,100	11,309
Mortgage institutions	0	0	1,163	11,160
Other credit institutions	67,722	44,047	67,722	44,047
Corporates	0	57	0	57
Total	**107,860**	**91,574**	**107,525**	**102,734**

Note 15:
Financial instruments pledged as collateral

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

	Group		Parent	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Interest-bearing securities	0	1,117	0	1,117
Shares	75	275	75	275
Total	**75**	**1,392**	**75**	**1,392**

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

Note 16:
Shares

NOKm	Group 31 Dec 2015	Group 31 Dec 2014	Parent company 31 Dec 2015	Parent company 31 Dec 2014
Shares	488	718	485	715
Total	**488**	**718**	**485**	**715**
- of which Financial instruments pledged as collateral (Note 15)	-75	-275	-75	-275
Total	**413**	**443**	**410**	**440**

Specification of shares

31 Dec 2015	Group Book value NOKm	Group Market value NOKm	Group Voting power of holding %	Parent company Book value NOKm	Parent company Market value NOKm	Parent company Voting power of holding %
Held for trading						
Austevoll Seafood	5	5	0.05	5	5	0.05
Deep Sea Supply	3	3	0.61	3	3	0.61
ENPRO AS	0	0	0.00	0	0	0.00
Eiendomsverdi	32	32	18.00	32	32	18.00
Nordic Trustee Holding ASA	24	24	10.41	24	24	10
Epocket Solutions Ord.	0	0	0.07	0	0	0.07
Frontline	26	26	0.13	26	26	0.13
Grieg Seafood	203	203	5.92	203	203	5.92
Havfisk	7	7	0.30	7	7	0.30
NEXT Biometrics Group	13	13	0.93	13	13	0.93
Nordic Semiconductor	6	6	0.08	6	6	0.08
Norsk Hydro	41	41	0.06	41	41	0.06
Total	360	360		357	357	
Of which pledged as collateral (see Note 15)	-75	-75		-75	-75	
Total	**285**	**285**		**282**	**282**	

31 Dec 2015	Norwegian Registration Number	Group Book value NOKm	Group Market value NOKm	Group Voting power of holding %	Parent company Book value NOKm	Parent company Market value NOKm	Parent company Voting power of holding %
Fair value option							
Borea Oppurtunity II AS	989 652 036	9	9	1.78	9	9	1.78
Euroclear Clearance System Ltd.		90	90	0.82	90	90	0.82
Møre og Romsdal Såkornfond AS	991 173 110	1	1	5.43	1	1	5.43
Nordito Property AS	995 400 073	0	0	10.80	0	0	10.80
P-Hus Vekst AS	979 338 333	1	1	5.26	1	1	5.26
ProVenture Seed AS	989 765 248	3	3	2.98	3	3	2.98
SWIFT		2	2		2	2	
Saltens Bilruter A/S	915 637 620	2	2	2.43	2	2	2.43
Trondheim Sprektrum AS	814 588 432	1	1	1.94	2	2	1.94
Other shares		19	19		18	18	
Total		**128**	**128**		**128**	**128**	

Note 17:
Derivatives and Hedge accounting

	Group			Parent company		
	Fair value		Total	Fair value		Total nom
31 Dec 2015, NOKm	Positive	Negative	nom amount	Positive	Negative	amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	0	277	291,389	2,222	2,591	394,105
FRAs	13	150	4,000	18	41	24,000
Other	2	3	89	2	2	89
Total	**15**	**430**	**295,478**	**2,242**	**2,633**	**418,194**
Equity derivatives						
Equity swaps						
Futures and forwards	16	63	330	16	63	330
Options	12	18	1,067	12	18	1,067
Total	**28**	**81**	**1,397**	**28**	**81**	**1,397**
Foreign exchange derivatives						
Currency and interest rate swaps	2,727	3	106,708	7,515	4,775	135,969
Total	**2,727**	**3**	**106,708**	**7,515**	**4,775**	**135,969**
Total derivatives held for trading	**2,770**	**514**	**403,583**	**9,785**	**7,489**	**555,560**

	Group			Parent company		
	Fair value		Total nom	Fair value		Total nom
31 Dec 2015, NOKm	Positive	Negative	amount	Positive	Negative	amount
Derivatives used for hedge accounting						
Interest rate derivatives	2,295	1,009	98,558	326	967	71,767
Foreign exchange derivatives	6,547	99	24,619	1,774	0	10,411
Total derivatives used for hedge accounting	**8,842**	**1,108**	**123,177**	**2,100**	**967**	**82,178**
– of which fair value hedges[1]	2,295	1,009	98,558	326	967	71,767
– of which cash flow hedges[1]	6,547	98	24,619	1,774	0	10,411
Total derivatives	**11,612**	**1,622**	**526,760**	**11,885**	**8,456**	**637,738**

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

Note 17:
Derivatives and Hedge accounting cont.

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

Group

NOKm	<1 year	1–3 years	3–5 years	5–10 years	over 10 years
Cash outflows (liabilities)	5,604	5,134	1,526	10,411	0
Net cash flows	5,604	5,134	1,526	10,411	0

	Group			Parent company		
	Fair value		Total nom	Fair value		Total nom
31 Dec 2014, NOKm	Positive	Negative	amount	Positive	Negative	amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	51	294	156,749	2,605	2,848	237,232
FRAs	37	79	102,000	37	79	102,000
Other	2	2	136	2	2	136
Total	**90**	**375**	**258,885**	**2,644**	**2,929**	**339,368**
Equity derivatives						
Futures and forwards	15	63	586	15	63	586
Options	7	10	815	7	10	815
Total	**22**	**73**	**1,401**	**22**	**73**	**1,401**
Foreign exchange derivatives						
Currency and interest rate swaps	5,971	43	110,525	8,514	2,586	134,514
Total	**5,971**	**43**	**110,525**	**8,514**	**2,586**	**134,514**
Total derivatives held for trading	**6,083**	**491**	**370,811**	**11,180**	**5,588**	**475,283**
Derivatives used for hedge accounting						
Interest rate derivatives	2,404	1,241	104,501	213	877	39,144
Foreign exchange derivatives	3,464	0	21,148	921	0	10,411
Total derivatives used for hedge accounting	**5,868**	**1,241**	**125,649**	**1,134**	**877**	**49,555**
– of which fair value hedges	2,404	1,241	104,501	213	877	39,144
– of which cash flow hedges	3,464	0	39,399	921	0	10,400
Total derivatives	**11,951**	**1,732**	**496,460**	**12,314**	**6,465**	**524,838**

Note 18:
Investments in group undertakings

Parent company	31 Dec	31 Dec
NOKm	2015	2014
Acquisition value at beginning of year	5,814	5,042
Acquisitions during the year[1]	100	296
Liquidation during the year[2]	-10	-10
Group contribution	1,314	486
Acquisition value at end of year	**7,218**	**5,814**

[1] In 2015 it was given group contribution to Nordea Eiendomskreditt AS and Nordea Essendropsgate Eiendomsforvaltning AS had an increase in share capital.

[2] Liquidation of M-Invest AS in 2015 and a decrease in sharecapital in Privatmegleren AS. Further, sale of Kilden 8 Næringseiendom AS in 2014 .

Of which, listed shares	0	0

Specification

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

Parent company		Book value NOKm				
31 Dec 2015	Number of shares	31 Dec 2015	31 Dec 2014	Voting power of holding %	Domicile	Registration number
Nordea Eiendomskreditt AS	15,336,269	6,034	4,720	100.0	Oslo	971 227 222
Nordea Finans Norge AS	63,000	593	593	100.0	Oslo	924 507 500
Nordea Essendropsgate Eiendomsforvaltning AS	7,500	397	297	100.0	Oslo	986 610 472
Nordea Utvikling AS	300	96	96	100.0	Oslo	999 222 862
First Card AS[1]	200	0	0	100.0	Oslo	963 215 371
Privatmegleren AS	12,000,000	98	108	100.0	Oslo	986 386 661
Total		**7,218**	**5,814**			

[1] Dormant company

[2] Sold in 2014

[3] Liquidated in 2015

Note 19:
Investments in associated undertakings

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Acquisition value at beginning of year	1,495	1,553	417	417
Share in earnings [1]	256	-58	0	0
Acquisition value at end of year	**1,751**	**1,495**	**417**	**417**

[1] Nordea has chosen to use our own valuation model based on observable information in the market to estimate the credit spread effects related to the valuation of Eksportfinans' own debt. The model supports our position given in the press release of 22.Nov. 2011, and provides for an adjustment to increase Nordea's share of Eksportfinans' reported net result in 2015 by NOK 346m.

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

	31 Dec	31 Dec
NOKm	2015	2014
Total assets	15,288	20,039
Total liabilities	13,556	18,564
Operating income	-44	-133
Operating profit	-209	-73

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

			Book value NOKm		Voting power of holding %	
	Registration		31 Dec	31 Dec	31 Dec	31 Dec
31 Dec 2015	number	Domicile	2015	2014	2015	2014
Eksportfinans ASA	816 521 432	Oslo	1,733	1,480	23.21	23.21
NF Fleet AS	988 906 808	Oslo	18	14	20.00	20.00
Total			**1,751**	**1,494**		

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

Note 20:
Intangible assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Goodwill[1]	41	41	0	0
Computer Software	34	48	34	48
Other intangible assets	84	60	48	37
Total	**159**	**149**	**82**	**85**

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

Movements in computer software				
Acquisition value at beginning of year	100	203	100	203
Acquisitions during the year	8	7	8	7
Sales/disposals during the year	-52	-14	-52	-14
Reclassifications	-22	-96	-22	-96
Acquisition value at end of year	**34**	**100**	**34**	**100**
Accumulated impairment charges at beginning of year	-52	-52	-52	-52
Accumulated impairment charges on sales/disposals during the year	52	0	52	0
Accumulated impairment charges at end of year	**0**	**-52**	**0**	**-52**
Total	**34**	**48**	**34**	**48**

Other intangible assets				
Acquisition value at beginning of year	344	585	297	544
Acquisitions during the year	21	16	7	2
Sales/disposals during the year	-17	-353	-4	-345
Reclassifications	22	96	22	96
Acquisition value at end of year	**370**	**344**	**322**	**297**
Accumulated amortisation at beginning of year	-280	-398	-256	-373
Amortisation according to plan for the year	-15	-50	-13	-48
Accumulated amortisation on sales/disposals during the year	15	168	1	165
Accumulated amortisation at end of year	**-280**	**-280**	**-268**	**-256**
Accumulated impairment charges at beginning of year	-4	-4	-4	-4
Impairment charges during the year	-2	-195	-2	-195
Scrapping	0	195	0	195
Accumulated impairment charges at end of year	**-6**	**-4**	**-6**	**-4**
Total	**84**	**60**	**48**	**37**

[1] Excluding goodwill in associated undertakings. Goodwill is in connection with the acquisition of Privatmegleren AS (100% ownership). The assessment of goodwill for 2015 has been performed in accordance with International Financial Reporting Standards (IFRS), and no correction has been necessary.

Note 21:
Properties and equipment

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Properties and equipment	1,232	922	489	543
Of which buildings for own use	774	566	394	425
Total	**1,232**	**922**	**489**	**543**
Equipment				
Acquisition value at beginning of year	913	658	644	656
Acquisitions during the year	214	293	13	26
Sales/disposals during the year	–20	–38	–7	–38
Reclassifications	–15	0	–2	0
Acquisition value at end of year	**1,092**	**913**	**648**	**644**
Accumulated depreciation at beginning of year	–553	–521	–522	–519
Accumulated depreciation on sales/disposals during the year	10	37	3	35
Depreciations according to plan for the year	–87	–69	–31	–38
Accumulated depreciation at end of year	**–630**	**–553**	**–550**	**–522**
Accumulated impairment charges at beginning of year	–4	–4	–4	–4
Impairment charges during the year	0	0	0	0
Accumulated impairment charges at end of year	**–4**	**–4**	**–4**	**–4**
Total	**458**	**356**	**94**	**118**
Land and buildings				
Acquisition value at beginning of year	775	401	632	399
Acquisitions during the year	240	386	1	244
Sales/disposals during the year	–7	–12	–5	–11
Acquisition value at end of year	**1,008**	**775**	**628**	**632**
Accumulated depreciation at beginning of year	–209	–173	–207	–171
Accumulated depreciation on sales/disposals during the year	5	12	3	12
Depreciation according to plan for the year	–25	–48	–25	–48
Reclassifications	0	0	0	0
Accumulated depreciation at end of year	**–229**	**–209**	**–229**	**–207**
Impairment charges during the year	–5	0	–5	0
Accumulated impairment charges at end of year	**–5**	**0**	**–5**	**0**
Total	**774**	**566**	**394**	**425**

Note 22:
Leasing

Nordea as a lessor

Finance leases

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

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

	Group	
NOKm	31 Dec 2015	31 Dec 2014
Gross investments	14,879	14,695
Less unearned finance income	-811	-952
Net investments in finance leases	**14,068**	**13,743**
Less unguaranteed residual values accruing to the benefit of the lessor	0	0
Present value of future minimum lease payments receivable	**14,068**	**13,743**
Accumulated allowance for uncollectible minimum lease payments receivable	0	0

As of 31 December 2015 the gross investment and the net investment by remaining maturity was distributed as follows:

	Group		Group	
NOKm	31 Dec 2015 Gross investment	31 Dec 2015 Net investment	31 Dec 2014 Gross investment	31 Dec 2014 Net investment
2015	NA	NA	5,135	4,702
2016	5,347	4,972	3,931	3,664
2017	4,342	4,118	3,341	3,204
2018	2,644	2,530	1,219	1,164
2019	1,369	1,317	545	521
2020	633	611	NA	NA
Later years	544	518	524	488
Total	**14,879**	**14,066**	**14,695**	**13,743**
Less unearned future finance income on finance leases	-811	0	-952	0
Investment in finance leases	**14,068**	**14,066**	**13,743**	**13,743**

NA (not applicable)

Nordea as a lessee

Finance leases

Operating leases

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

	Group	
Leasing expenses during the year, NOKm	31 Dec 2015	31 Dec 2014
Leasing expenses during the year	274	209
Of which		
- minimum lease payments	274	209
- contingent rents	0	0
Leasing income during the year regarding sublease payments	0	0

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

	Group	Parent company	Group	Parent company
NOKm	31 Dec 2015	31 Dec 2015	31 Dec 2014	31 Dec 2014
2015	NA	NA	101	127
2016	4	66	76	137
2017	36	99	54	117
2018	27	92	38	103
2019	13	80	28	95
2020	8	77	NA	NA
Later years	8	748	38	777
Total	**96**	**1,162**	**335**	**1,356**

NA (not applicable)

Note 23:
Investment property

Movement in the balance sheet	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Carrying amount at beginning of year	65	203	1	10
Sales/disposals during the year	-10	-138	0	-9
Carrying amount at end of year	**55**	**65**	**1**	**1**

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

Amounts recognised in the income statement

Net income from investment properties amounts to 1m (1m for the parent) of which 0m (0m for the parent) relates to net rental income and is included in Net result from items at fair value.

For further information regarding investment properties, see Note 39 Assets and liabilities at fair value.

Note 24:
Other assets

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Claims on securities settlement proceeds	283	17,886	40	17,886
Other	1,574	904	1,526	788
Total	**1,857**	**18,790**	**1,566**	**18,674**

Note 25:
Prepaid expenses and accrued income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Accrued interest income	974	1,178	854	1,006
Other accrued income	83	33	84	33
Prepaid expenses	889	838	113	89
Total	**1,946**	**2,049**	**1,051**	**1,128**

Note 26:
Deposits by credit institutions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Central banks	4,388	4,500	4,388	4,500
Other banks	237,541	232,254	237,541	232,254
Other credit institutions	3,532	2,299	3,587	2,383
Total	**245,461**	**239,053**	**245,516**	**239,137**

Note 27:
Deposits and borrowings from the public

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Deposits	240,430	236,754	240,525	236,909
Total	**240,430**	**236,754**	**240,525**	**236,909**

Deposits are defined as funds in deposit accounts covered by the government deposit guarantee, but also including amounts in excess of the individual amount limits. Individual pension savings (IPS) are also included.

Note 28:
Debt securities in issue

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Bond loans	90,759	84,664	9,131	4,682
Total	**90,759**	**84,664**	**9,131**	**4,682**

Note 29:
Other liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Liabilities on securities settlement proceeds	32	17,723	32	17,723
Sold, not held, securities	0	2,197	0	2,197
Accounts payable	104	127	75	112
Other	5,976	3,837	6,008	3,832
Total	**6,112**	**23,884**	**6,115**	**23,864**

Note 30:
Accrued expenses and prepaid income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Accrued interest	11	93	11	93
Other accrued expenses	1,103	1,053	1,016	975
Prepaid income	777	754	0	4
Total	**1,891**	**1,900**	**1,027**	**1,072**

Note 31:
Provisions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Reserve for restructuring costs	258	148	257	147
Individually assessed, guarantees and other commitments	46	48	46	48
Other	0	0	0	0
Total	**304**	**196**	**303**	**195**

Group	Restructuring	Guarantees/ commitments	Other	Total
At beginning of year	148	48	0	196
New provisions made	205	13	0	218
Provisions utilised	-83	0	0	-83
Reversals	-6	-15	0	-21
Reclassifications	-6	0	0	-6
At end of year	**258**	**46**	**0**	**304**

Parent company	Restructuring	Guarantees/ commitments	Other	Total
At beginning of year	147	48	0	195
New provisions made	204	13	0	217
Provisions utilised	-83	0	0	-83
Reversals	-5	-15	0	-20
Reclassifications	-6	0	0	-6
At end of year	**257**	**46**	**0**	**303**

New provisions for restructuring costs were recognised in the fourth quarter by NOK 181m, and cover termination benefits and redundant premises. The restructuring activities have been initiated to manage the transformational change to a truly digital bank. The majority of the provision is expected to be used during 2016. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is being executed.

Loan loss provisions for individually assessed, guarantees and other commitments amounted to NOK 46m (48m in 2014).

Note 32:

Retirement benefit obligations

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Defined benefit plans, net	1,416	2,360	1,369	2,286
Total	**1,416**	**2,360**	**1,369**	**2,286**

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

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

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

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

IAS 19 pension calculations and assumptions

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

Assumptions[1]	2015	2014
Discount rate[2]	2.89%	2.5%
Salary increase	2.8%	3.0%
Inflation	1.75%	1.75%
Increase in income base amount	3.0%	3.0%
Expected return on assets before taxes	2.89%	2.5%
Expected adjustments of current pensions	2.0%	2.0%

[1] The assumptions disclosed for 2015 have an impact on the liability calculation by year-end 2015, while the assumptions disclosed for 2014 are used for calculating the pension expense in 2015.

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

Sensitivities – Impact on Pension Benefit Obligation (PBO) %	2015
Discount rate – Increase 50bps	-6.3 %
Discount rate – Decrease 50bps	7.0 %
Salary increase – Increase 50bps	2.7 %
Salary increase – Decrease 50bps	-2.4 %
Inflation – Increase 50bps	5.8 %
Inflation – Decrease 50bps	-5.3 %
Mortality – Increase 1 year	3.1 %
Mortality – Decrease 1 year	-3.1 %

The sensitivity analyses are prepared by changing one actuarial assumption while keeping the other assumptions unchanged. This is a simplified approach since the actuarial assumptions usually are correlated. However, it enables the reader to isolate one effect from another. The method used for calculating the impact on the obligation is the same as when calculating the obligation accounted for in the financial statements. Compared with the 2014 Annual Report there have been no changes in the methods used when preparing the sensitivity analyses.

NBN has implemented the GAP07/I73 demographic models developed by Gabler (external actuaries). These models address all variables needed for actuarial evaluations of pensions, including mortalities, and has been tested against updated mortality statistics in 2015. We consider the GAP07/I73 demographic models to be the most appropriate models for NBNs population.

Note 32:

Retirement benefit obligations cont.

Net retirement benefit liabilities/assets

	Group		Parent company	
NOKm	2015	2014	2015	2014
Obligations	7,005	7,582	6,834	7,402
Plan assets	5,589	5,222	5,465	5,116
Net liability(–)/asset(+)	**–1,416**	**–2,360**	**–1,369**	**–2,286**

Movements in the obligation

	Group		Parent company	
NOKm	2015	2014	2015	2014
Opening balance	7,582	6,155	7,402	6,033
Current service cost	139	115	131	109
Interest cost	179	233	174	229
Pensions paid	–258	–278	–256	–275
Past service cost[1]	115	125	115	125
Settlements	–7	–7	–7	–7
Remeasurement from changes in financial assumptions	–511	1,160	–494	1,119
Remeasurement from experience adjustments	–113	–76	–114	–78
Change in provision for social security contribution[2]	–123	155	–117	147
Closing balance	**7,005**	**7,582**	**6,834**	**7,402**

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

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

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

Movements in the fair value of plan assets

	Group		Parent company	
NOKm	2015	2014	2015	2014
Opening balance	5,222	5,026	5,115	4,935
Interest income (calculated using the discount rate)	131	205	129	201
Pensions paid	–152	–144	–151	–144
Settlements	–4	–5	–4	–5
Contributions by employer	216	15	207	6
Remeasurement (actual return less interest income)	176	125	169	122
Closing balance	**5,589**	**5,222**	**5,465**	**5,115**

Asset composition

The combined return on assets in 2015 was 5.9% (6.6%) for the group and 5.8% (6.5%) for the parent, main drivers were positive returns on equities and real estate whereas sovereign bonds and other credit investments contributed little to the result. At the end of the year the equity exposure in the foundation represented 28% (28%) of total assets.

Asset composition in funded schemes (%)	2015	2014
Bonds	55%	56%
– of which sovereign	39%	44%
– of which covered bonds	11%	12%
– of which corporate bonds	5%	0%
– of which issued by Nordea entities	0%	0%
– of which with quoted market price in an active market	55%	56%
Equity	28%	28%
– of which domestic	6%	7%
– of which european	9%	9%
– of which US	8%	8%
– of which emerging	5%	4%
Real estate	12%	12%
– of which occupied by Nordea	0%	0%
Cash and cash equivalents	5%	4%

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

Note 32:
Retirement benefit obligations cont.

The NBN expects to contribute NOK 220m before social security contributions to its defined benefit plans in 2015 (NOK 210m for the parent company).

Defined benefit pension cost

The total net pension cost related to defined benefit plans recognised in the income statement (as staff costs) for the year is NOK 342m (NOK 303m). Total pension costs comprise defined benefit pension costs as well as costs related to defined contribution plans (see specification in Note 8 Staff Costs).

	Group		Parent company	
Recognised in the income statement, NOKm	2015	2014	2015	2014
Current service cost	139	115	131	109
Net interest	48	28	45	28
Past service cost and settlements [1]	-3	-2	-3	-2
Recognised past service cost	115	125	115	125
Social security contribution	43	37	43	36
Pension cost on defined benefit plans	**342**	**303**	**331**	**296**

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

	Group		Parent company	
Recognised in other comprehensive income, NOKm	2015	2014	2015	2014
Remeasurement from changes in financial assumptions	-511	1,160	-494	1,119
Remeasurement from experience adjustments	-113	-76	-114	-78
Remeasurement of plan assets (actual return less interest income)	-176	-125	-169	-122
Social security contribution	-113	135	-109	130
Pension cost on defined benefit plans	**-913**	**1094**	**-886**	**1,049**

Multiemployer plans

In 2010 the Norwegian Parliament decided to change the AFP (Avtalefestet Pensjon) plan in Norway as from 2011. The change gave rise to a new multiemployer defined benefit plan that cannot be calculated as such, as information on Nordea's share of the liabilities and pension costs in the plan is not available from Fellesordningen (the administrator). Consequently the new AFP plan has to be accounted for as a defined contribution plan in accordance with IAS 19. Information on the funded status in the plan is not available.

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

The premium rate for 2015 is 2,4% of the employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The premium is calculated based on the average wages- and average base amounts from the previous year, excluding employees over the age of 61. Total premiums paid in 2015 amounts to NOK 37m. Payments to the plan during 2015 covered 2,872 employees. The premium rate for 2016 will be 2.5% of the employees' wages between 1 and 7.1 times the average base amount according to the Norwegian National Insurance Act. The expected premiums in 2015 amounts to NOK 40m.

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

Note 33:
Subordinated liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Dated subordinated debenture loans	3,088	2,607	3,088	2,607
Undated subordinated debenture loans	1,766	1,490	1,766	1,490
Hybrid capital loans	5,771	5,374	5,771	5,374
Total	**10,625**	**9,471**	**10,625**	**9,471**

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

The interest expense on subordinated loans were NOK 465m (434) in 2015 (2014).

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

The terms for all subordinated loans as at 31 December 2015 are specified below.

Issued by	Year of issue / maturity	Nominal value	Book value NOKm	Interest rate (coupon)
Nordea Bank Norge ASA	1986 – Undated[1]	USD 200	1,766	Libor 6 month + 18.75 basis points
Nordea Bank Norge ASA	2008 – Undated[2]	USD 290	2,558	Libor 3 month + 450 basis points
Nordea Bank Norge ASA	2010 – 2020[3]	USD 350	3,087	Libor 3 month + 140 basis points
Nordea Bank Norge ASA	2011 – 2016[3]	NOK 3,200	3,214	Nibor 3 month + 758 basis points

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

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

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

Note 34:
Assets pledged as security for own liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Assets pledged for own liabilities				
Securities etc[1]	82,873	67,679	82,873	67,679
Loans to the public (Covered bonds)	96,822	103,284	0	0
Other pledged assets	20	44	20	44
Total	**179,715**	**171,007**	**82,893**	**67,723**
The above pledges pertain to the following liabilities				
Deposits by credit institutions	46,510	32,842	46,510	32,842
Deposits and borrowings from the public	36,258	33,371	36,258	33,372
Derivatives	61	73	61	73
Debt securities in issue	81,160	79,879	0	0
Total	**163,989**	**146,165**	**82,829**	**66,287**

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

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

Note 35:
Contingent liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Guarantees				
Loan guarantees	0	1,774	5,066	6,587
Other guarantees	2,165	0	2,166	0
Other contingent liabilities	1	0	0	0
Total	**2,166**	**1,774**	**7,232**	**6,587**

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

Legal proceedings

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

Note 36:
Commitments

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Commitments[1]	118,390	120,159	191,352	112,241
Commitments excluding derivatives	**118,390**	**120,159**	**191,352**	**112,241**

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

For further information about credit commitments see Note 1 Accounting policies section 22. About derivatives see Note 17 Derivatives and Hedge accounting and about reverse repos, see Note 41 Transferred assets and obtained collaterals.

Note 37:
Capital adequacy

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

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

The Basel III framework is built on three Pillars:

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

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

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

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

Bridge between IFRS equity and Common equity tier 1 capital

	Group		Parent	
NOKm	31 Dec	31 Dec	31 Dec	31 Dec
Balance sheet equity	56,644	45,120	48,440	37,274
Intangible assets	-118	-149	-82	-85
Shortfall deduction	-330	-63	-277	0
Prudential filters	-609	-356	-164	-258
Other capital items	87	0	0	0
Common equity tier 1 capital	55,674	44,552	47,917	36,931
Total regulatory adjustments to Common Equity Tier 1 capital	-1,057	-568	-523	-343

Summary of items included in own funds	Group		Parent	
	31 Dec[2]	31 Dec[2]	31 Dec[2]	31 Dec[2]
NOKm	2015	2014	2015	2014
Calculation of own funds				
Equity in the consolidated situation[3]	56,731	45,120	48,440	37,274
Proposed/actual dividend				0
Common Equity Tier 1 capital before regulatory adjustments	56,731	45,120	48,440	37,274
Intangible assets	-118	-149	-82	-85
IRB provisions shortfall (-)[1]	-330	-63	-277	-0
Pension assets in excess of related liabilities	0	0	0	0
Other items, net	-609	-356	-164	-258
Total regulatory adjustments to Common Equity Tier 1 capital	-1,057	-568	-523	-343
Common Equity Tier 1 capital (net after deduction)	**55,674**	**44,552**	**47,917**	**36,931**
Additional Tier 1 capital before regulatory adjustments	4,677	5,187	4,677	5,188
Additional Tier 1 capital	4,677	5,187	4,677	5,188
Tier 1 capital (net after deduction)	**60,351**	**49,739**	**52,594**	**42,119**
Tier 2 capital before regulatory adjustments	4,852	4,096	4,851	4,096
Other items, net	0	77	0	77
Total regulatory adjustments to Tier 2 capital	0	77	0	77
Tier 2 capital	4,852	4,173	4,851	4,173
Own funds (net after deduction)	**65,203**	**53,912**	**57,445**	**46,292**

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

[2] Including profit

[3] Figures are according to CRR Consolidation principples.

Note 37:
Capital adequacy cont.

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

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

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

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

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

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

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

Note 37:

Capital adequacy cont.

Minimum capital requirement and REA	Group				Parent			
	31 Dec 2015		31 Dec 2014		31 Dec 2015		31 Dec 2014	
NOKm	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
Credit risk	**15,342**	**191,783**	**14,373**	**179,658**	**15,600**	**195,003**	**14,223**	**177,784**
– of which counterparty credit risk	239	2,986	251	3,141	204	2,551	203	2,542
IRB	13,986	174,827	12,884	161,051	12,373	154,666	11,258	140,723
– corporate	10,196	127,454	9,849	123,108	9,681	121,012	9,303	116,288
– advanced	*9,626*	*120,328*	*9,309*	*116,355*	9,680	121,004	9,301	116,268
– foundation	*570*	*7,126*	*540*	*6,753*	1	8	2	20
– institutions	612	7,646	333	4,168	609	7,615	333	4,164
– retail	2,932	36,646	2,498	31,227	1,978	24,728	1,518	18,972
– secured by immovable property collateral	*2,226*	*27,827*	*1,816*	*22,699*	1,322	16,521	915	11,434
– other retail	*706*	*8,819*	*682*	*8,528*	656	8,207	603	7,538
– other	246	3,081	204	2,548	105	1,311	104	1,299
Standardised	1,356	16,956	1,489	18,607	3,227	40,337	2,965	37,061
– central governments or central banks	0	1	0	0	0	1	0	0
– regional governments or local authorities	21	265	15	190	19	243	13	168
– public sector entities	1	13	0	0	1	13	0	0
– multilateral development banks	0	0	0	0	0	0	0	0
– international organisations	0	0	0	0	0	0	0	0
– institutions	584	7,303	755	9,441	2,562	32,021,49	2,365	29,564
– corporate	8	104	4	54	5	65	0	0
– retail	514	6,422	484	6,048	0	0	0	0
– secured by mortgages on immovable properties	0	0	0	0	0	0	0	0
– in default	5	57	5	63	0	0	0	0
– associated with particularly high risk	0	0	0	0	0	0	0	0
– covered bonds	0	0	0	0	0	0	80	1,000
– institutions and corporates with a short-term	0	0	0	0	0	0	0	0
credit assessment	0	0	0	0	0	0	0	0
– collective investments undertakings (CIU)	0	0	0	0	0	0	0	0
– equity	62	774	9	106	640	7,994	506	6,321
– other items	161	2,017	217	2,705	0	0	1	8
Credit Value Adjustment Risk	**56**	**690**	**35**	**436**	**56**	**690**	**35**	**436**
Market risk	**272**	**3,405**	**276**	**3,447**	**261**	**3,262**	**240**	**3,004**
– trading book, Internal Approach	239	2,990	218	2,719	239	2,991	217	2,719
– trading book, Standardised Approach	33	415	58	728	22	271	23	**285**
– banking book, Standardised Approach								
Operational risk	**1,826**	**22,822**	**1,744**	**21,806**	**1,459**	**18,242**	**1,436**	**17,951**
Standardised	1,826	22,822	1,744	21,806	1,459	18,242	1,436	17,951
Additional risk exposure amount, Article 3 CRR	145	1,809	0	0	**128**	**1,599**	**0**	**0**
Sub total	**17,641**	**220,509**	**16,428**	**205,347**	**17,504**	**218,796**	**15,934**	**199,175**
Adjustment for Basel I floor								
Additional capital requirement according to Basel I floor [1]	10 697	133 718	11 658	145 728	7 603	95 037	8 363	104 542
Total	**28 338**	**354 227**	**28 086**	**351 075**	**25 107**	**313 833**	**24 297**	**303 717**

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

Note 37:

Capital adequacy cont.

Capital adequacy ratios

	Group		Parent company	
	2015	2014	2015	2014
Excl. Basel 1 floor				
CET1 capital ratio (%)	25.2%	21.7%	21.9%	18.5%
Tier 1 capital ratio (%)	27.4%	24.2%	24.0%	21.1%
Total capital ratio (%)	29.6%	26.3%	26.3%	23.2%
Capital adequacy quotient (own funds/capital requirement excluding Basel I floor)	3.7	3.3	3.3	2.9
Incl. Basel 1 floor				
CET1 capital ratio (%)	15.7%	12.7%	15.3%	12.2%
Tier 1 capital ratio (%)	17.0%	14.2%	16.8%	13.9%
Total capital ratio (%)	18.4%	15.4%	18.3%	15.2%
Capital adequacy quotient (own funds/capital requirement excluding Basel I floor)	2.3	1.9	2.3	1.9

Analysis of capital requirements

	Group		Parent company	
Exposure class	Average risk weight (%)	Capital requirement[1]	Average risk weight (%)	Capital requirement[1]
Corporate IRB	46	10,196	45	9,681
Institutions IRB	13	612	13	609
Retail IRB	14	2,932	16	1,978
Sovereign	0	21	0	19
Other	36	1,582	23	3,312
Total credit risk	**27**	**15,343**	**27**	**15,600**

[1]8% minimum capital requirement, NOKm

REA and capital requirements for market risk, 31 December 2015

Group

	Trading book, IA		Trading book, SA		Banking book, SA		Total	
NOKm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other[1]	3	0	94	8			97	8
Equity risk	679	54	321	25			1,000	79
Foreign exchange risk	15	1					15	1
Diversification effect	-13	-1					-13	-1
Stressed Value-at-Risk	2,306	185					2,306	185
Total	**2,990**	**239**	**415**	**33**			**3,405**	**272**

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

Parent

	Trading book, IA		Trading book, SA		Banking book, SA		Total	
NOKm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other[1]	3	0	0	0			3	0
Equity risk	679	54	271	22			950	76
Foreign exchange risk	15	1					15	1
Diversification effect	-13	-1					-13	-1
Stressed Value-at-Risk	2,307	185					2,307	185
Total	**2,991**	**239**	**271**	**22**			**3,262**	**261**

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

Leverage ratio

	Group		Parent	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Tier 1 capital, transitional definition, NOKm[1]	60,351	49,739	52,594	42,119
Leverage ratio exposure, NOKm	791,786	781,048	790,661	758,597
Leverage ratio, percentage	7.6	6.4	6.7	5.6

[1]Including profit of the period

Note 38:

Classification of financial instruments

Group

31 Dec 2015, NOKm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Non-financial assets and associates	Total
Assets								
Cash and balances with central banks	6,860							6,860
Loans to central banks and credit institutions [1]	13,782		349					14,131
Loans to the public [1]	511,917		101					512,018
Interest-bearing securities [1]		5,510	30,745			71,605		107,860
Financial instruments pledged as collateral			75					75
Shares [2]			285	128				413
Derivatives			6,046		5,566			11,612
Fair value changes of the hedged items in portfolio hedge of interest rate risk	473							473
Investments in associated undertakings							1,751	1,751
Intangible assets							159	159
Properties and equipment							1,232	1,232
Investment properties							55	55
Other assets	347			641			869	1,858
Prepaid expenses and accrued income	1,863						83	1,946
Total	**535,242**	**5,510**	**37,600**	**770**	**5,566**	**71,605**	**4,149**	**660,442**

[1] In the parent company Nordea Bank Norge ASA Loans to credit institutions, Loans to the public and Interest bearing securities were NOK 54,668m, NOK 381,338m, NOK 107,525m respectively at year-end. The change from NBN group figures relates mainly to the wholly owned subsidiaries Nordea Eiendomskreditt AS (NE) and Nordea Finans Norge AS (NFN). NE's and NFN's loans in NBN ASA are classified as Loans to credit institutions in the parent company, while the loans are eliminated in the group figures. This increases in Loans to the public in the above disclosed NBN group figures. There are insignificant changes between NBN ASA and NBN Group on the other lines and therefore no separate disclosure is made for the parent company.

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

31 Dec 2015, NOKm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	194			245,267		245,461
Deposits and borrowings from the public	300			240,130		240,430
Debt securities in issue				90,759		90,759
Derivatives	514		1,107			1,622
Fair value changes of the hedged items in portfolio hedge of interest rate risk				1,625		1,625
Current tax liabilities					359	359
Other liabilities		3,220		74	2,817	6,111
Accrued expenses and prepaid income				787	1,104	1,891
Deferred tax liabilities					3,194	3,194
Provisions					304	304
Retirement benefit liabilities					1,416	1,416
Subordinated liabilities				10,625		10,625
Total	**1,008**	**3,220**	**1,107**	**589,268**	**9,194**	**603,798**

Note 38:
Classification of financial instruments cont.

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

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

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

31 Dec 2014, NOKm	Financial liabilities at fair value through profit or loss: Held for trading	Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities						
Deposits by credit institutions	7,978			231,075		239,053
Deposits and borrowings from the public	214			236,540		236,754
Liabilities to policyholders						
Debt securities in issue				84,664		84,664
Derivatives	491		1,241			1,732
Fair value changes of the hedged items in portfolio hedge of interest rate risk				1,816		1,816
Current tax liabilities					1,214	1,214
Other liabilities	2,197			17,755	3,932	23,884
Accrued expenses and prepaid income	85			763	1,052	1,900
Deferred tax liabilities					1,576	1,576
Provisions					196	196
Retirement benefit liabilities					2,360	2,360
Subordinated liabilities				9,471		9,471
Total	**10,956**		**1,241**	**582,084**	**10,330**	**604,620**

Note 39:
Assets and liabilities at fair value

Fair value of financial assets and liabilities

NOKm	31 Dec 2015 Carrying amount	31 Dec 2015 Fair value	31 Dec 2014 Carrying amount	31 Dec 2014 Fair value
Financial assets				
Cash and balances with central banks	6,860	6,860	2,499	2,499
Loans	526,622	536,694	518,411	523,345
Interest-bearing securities	107,860	107,877	91,574	91,626
Financial instruments pledged as collateral	75	75	1,392	1,392
Shares	413	413	443	443
Derivatives	11,612	11,612	11,951	11,951
Other assets	988	988	18,034	18,034
Prepaid expenses and accrued income	1,863	1,863	2,015	2,015
Total	**656,293**	**666,382**	**646,319**	**651,305**
Financial liabilities				
Deposits and debt instruments	588,901	588,803	571,758	573,146
Derivatives	1,622	1,622	1,732	1,732
Other liabilities	3,294	3,294	19,952	19,952
Accrued expenses and prepaid income	787	787	848	848
Total	**594,604**	**594,506**	**594,290**	**595,678**

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

Financial assets and liabilities held at fair value on the balance sheet

Categorisation into the fair value hierarchy

31 Dec 2015, NOKm	Quoted prices in active markets for the same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to credit institutions		349		349
Loans to the public		101		101
Interest-bearing securities[2]	39,289	63,060		102,349
Shares[3]	304		184	488
Derivatives	30	11,582		11,612
Investment properties			55	55
Other assets		641		641
Total	**39,624**	**75,732**	**239**	**115,595**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions		194		194
Deposits and borrowings from the public		300		300
Derivatives	58	1,563		1,622
Other liabilities		3,220		3,220
Total	**58**	**5,278**	**0**	**5,336**

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

[2] Of which NOK 0m relates to the balance sheet item Financial instruments pledged as collateral.

[3] Of which NOK 75m relates to the balance sheet item Financial instruments pledged as collateral.

Note 39:

Assets and liabilities at fair value cont.

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

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

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

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

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

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

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

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

Level 3 in the fair value hierarchy consists of those types of assets and liabilities for which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates. This is generally the case for investments in unlisted securities, private equity funds, hedge funds, investment properties, more complex OTC derivatives where unobservable input have a significant impact on the fair values, certain complex or structured financial instruments and illiquid interest bearing securities. Complex valuation models are generally characterised by the use of unobservable and model specific parameters.

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

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

Note 39:

Assets and liabilities at fair value cont.

For OTC derivatives valuation models are used for establishing fair value. For collateralised contracts OIS interest rates are used for discounting. These rates are observable in the market. The valuation is in addition based on several other market parameters, depending on the nature of the contract. Complex valuation models are used for more exotic OTC derivatives. The models are usually in-house developed, and based on assumptions about the behaviour of the underlying asset and statistical scenario analysis. As mentioned above OTC derivatives are generally categorised as Level 2 in the fair value hierarchy and all significant model parameters are thus observable in active markets. For vanilla derivatives standard models like e.g. Black-Scholes are used for valuation.

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

Nordea incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA) into derivative valuations. CVA and DVA reflect the impact on fair value of counterparty credit risk and Nordea's own credit quality, respectively. Calculations are based on estimates of exposure at default, probability of default and recovery rates, on a counterparty basis.

Generally, exposure at default for CVA and DVA is based on expected exposure and estimated through the simulation of underlying risk factors. Where possible, probabilities of defaults (PDs) and recovery rates are sourced from the CDS markets. For counterparties where this information is not available and considered reliable, PDs and recovery rates are estimated through a proxy approach/intersection approach mapping the illiquid counterparties to liquid CDS spreads.

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

Transfers between Level 1 and 2

During the year, NBN transferred interest-bearing securities (including such financial instruments pledged as collateral) of NOK 4,729m (NOK 413m) from Level 1 to Level 2 and NOK 2,005m (NOK 324m) from Level 2 to Level 1 of the fair value hierarchy. NBN also transferred assets (derivatives) of NOK 18m and liabilities (derivatives) of NOK 41m from Level 2 to Level 1. The reason for the transfer from Level 2 to Level 1 was that the instruments have been actively traded during the year and reliable qouted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of year.

Movements in Level 3

			Fair value gains/losses recognised in the income statement during the year									
2015, NOKm	1 Jan 2015	Reclassification	Realised	Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Translation differences	31 Dec 2015
Shares	179					1	-1				5	184
Investment properties	65						-10					55

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. During the year NBN Group had no transfers from Level 3 to Level 2. Fair value gains and losses in the income statement during the year are included in Note 5 Net results from ityems at fait value.
See Note 24 Investment properties for movements in level 3 for investment properties.

			Fair value gains/losses recognised in the income statement during the year									
2014, NOKm	1 Jan 2014	Reclassification	Realised	Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Translation differences	31 Dec 2014
Shares	133			24		16					6	179
Investment properties	203					0	-138					65

Unrealised gains and losses relate to those assets and liabilities held at the end of the year. During the year NBN Group had no transfers from Level 3 to Level 2. Fair value gains and losses in the income statement during the year are included in Note 5 Net results from ityems at fait value.
See Note 24 Investment properties for movements in level 3 for investment properties.

Note 39:

Assets and liabilities at fair value cont.

The valuation processes for fair value measurements in Level 3

Financial instruments

Nordea has an independent specialised valuation control unit, Group Valuation Control (GVC). GVC has the responsibility of setting the Nordea valuation framework as well as overseeing and independently assessing valuations of financial instruments held at fair value on Nordea´s balance sheet. GVC issues the Nordea Group Valuation Policy, which is approved by the Group Valuation Committee. The Group Valuation Committee governs valuation matters and also serves as escalation point for valuation issues. Further escalation of valuation issues is addressed by the Assets and Liabilities Committee, which reports to the Board of Directors.

The valuation process in Nordea consists of several steps. The first step is the initial end of day (EOD) marking of mid-prices. The mid-prices are either fixed by front office or received from external sources. The second step is the control part, which is performed by independent control units. The cornerstone in the control is the independent price verification (IPV). The IPV test comprises verification of the correctness of prices and other parameters used in the net present value (NPV) calculation, the adequacy of the valuation models, including an assessment of whether to use quoted prices or valuation models, and the reliability of the assumptions and parameters used in the valuation adjustments at portfollio level covering mainly liquidity (bid/offer spread) and credit risk adjustments.

The verification of the correctness of prices and other parameters is carried out daily. Third-party information, such as broker quotes and pricing services, is used as benchmark data in the verification. The quality of the benchmark data is assessed on a regular basis. This quality assessment is used in the measurement of the valuation uncertainty.

The valuation adjustment at portfolio level and the deferrals of day 1 P/L on Level 3 trades are calculated and reported on a monthly basis. The actual assessment of instruments in the fair value hierarchy is performed on a continous basis.

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

31 Dec 2015, NOKm	Fair value	Valuation techniques
Shares		
Unlisted shares	184	Discounted cash flow/net asset value
Total	**184**	

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

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

	31 Dec 2015		31 Dec 2014		
NOKm	Carrying amount	Fair value	Carrying amount	Fair value	Level in fair value hierarchy
Assets not held at fair value on the balance sheet					
Cash and balances with central banks	6,860	6,860	2,499	2,499	3
Loans	526,173	536,245	509,946	523,345	3
Interest bearing-securities	5,510	5,528	5,887	5,940	2
Other assets	347	347	18,034	18,034	3
Prepaid expenses and accrued income	1,863	1,863	1,982	1,982	3
Total	**540,753**	**550,842**	**538,348**	**551,800**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	588,407	588,309	563,566	564,954	3
Other liabilities	74	74	17,755	17,755	3
Accrued expenses and prepaid income	787	787	763	763	3
Total	**589,268**	**589,170**	**582,084**	**583,472**	

Note 39:
Assets and liabilities at fair value cont.

Cash and balances with central banks

The fair value of" Cash and balances with central banks", is due to its short term nature, assumed to equal the carrying amount and is thus is categorised into Level 3 in the fair value hierarchy.

Loans

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

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

Interest bearing-securities

Interest bearing securities are categorised in Level 2. The measurement principles follow those for similar instruments that are held at fair value on the balance sheet.

Other assets and prepaid expenses and accrued income

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

Deposits and debt instruments

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

Other liabilities and accrued expenses and prepaid income

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

Note 40:

Financial instruments set off on balance or subject to netting agreements

31 Dec 2015, NOKm	Gross recognised financial assets[1]	Gross recognised financial liabilities set off on the balance sheet	Net carrying amount on the balance sheet [2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral received	Cash collateral received	Net amount
Assets							
Derivatives	11,710	-127	11,582	-887	0	-3,906	6,790
Securities borrowing agreements	449	0	449	0	-449	0	0
Total	**12,159**	**-127**	**12,031**	**-887**	**-449**	**-3,906**	**6,790**

31 Dec 2015, NOKm	Gross recognised financial liabilities[1]	Gross recognised financial assets set off on the balance sheet	Net carrying amount on the balance sheet [2]	Amounts not set off but subject to master netting agreements and similar agreements: Financial instruments	Financial collateral pledged	Cash collateral pledged	Net amount
Liabilities							
Derivatives	1,193	-127	1,065	-887	0	-179	0
Securities lending agreements	494	0	494	0	-494	0	0
Total	**1,687**	**-127**	**1,559**	**-887**	**-494**	**-179**	**0**

[1] All amounts are measured at fair value.

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

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

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

[1] All amounts are measured at fair value.

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

Enforcable master netting arrangements and similar agreements

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

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

Note 41:
Transferred assets and obtained collaterals

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

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

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

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

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

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

	Group		Parent	
NOKm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Repurchase agreements				
Interest-bearing securities	0	1,117	0	1,117
Securities lending agreements				
Shares	75	275	75	275
Total	**75**	**1,392**	**75**	**1,392**

Liabilities associated with the assets

NOKm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Repurchase agreements				
Deposits by credit institutions	0	1,117	0	1,117
Securities lending agreements				
Deposits by credit institutions	75	275	75	275
Total	**75**	**1,392**	**75**	**1,392**
Net	**0**	**0**	**0**	**0**

Obtained collaterals which are permitted to be sold or repledged

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

	Group		Parent	
NOKm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Reverse repurchase agreements				
Received collaterals which can be repledged or sold	0	8,107	0	8,107
– of which repledged or sold	0	0	0	0
Securities borrowing agreements				
Received collaterals which can be repledged or sold	1,455	2,142	1,455	2,142
– of which repledged or sold	1,455	2,142	1,455	2,142
Total	**1,455**	**10,249**	**1,455**	**10,249**

Note 42:
Maturity analysis for assets and liabilities

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

Contractual undiscounted cash flows

31 Dec 2015, NOKm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Interest-bearing financial assets	19,903	55,708	56,398	311,055	306,711	749,775
Non interest-bearing financial assets	0	0	0	0	15,425	15,425
Non-financial assets	0	0	0	0	4,149	4,149
Total assets	**19,903**	**55,708**	**56,398**	**311,055**	**326,285**	**769,349**
Interest-bearing financial liabilities	231,588	84,146	72,224	171,898	45,820	605,676
Non interest-bearing financial liabilities	0	0	0	0	7,329	7,329
Non-financial liabilities and equity	0	0	0	0	65,837	65,837
Total liabilities and equity	**231,588**	**84,146**	**72,224**	**171,898**	**118,986**	**678,842**
Derivatives, cash inflow	0	110,330	11,015	13,258	12,974	147,577
Derivatives, cash outflow	0	107,980	7,777	12,535	11,140	139,432
Net exposure	**0**	**2,350**	**3,238**	**723**	**1,834**	**8,145**
Exposure	**-211,685**	**-26,088**	**-12,588**	**139,880**	**209,133**	**98,652**
Cumulative exposure	**-211,685**	**-237,773**	**-250,361**	**-110,481**	**98,652**	

The table is based on contractual maturities for on balance sheet financial instruments. For derivatives, the expected cash inflows and outflows are disclosed for both derivative assets and derivative liabilities, as derivatives are managed on a net basis. In addition to the on balance sheet and derivative instruments, Nordea has credit commitments amounting to NOK 118,390m (120,159), which could be drawn on at any time. Nordea has also issued guarantees of NOK 2,166m (1,774) which may lead to future cash outflows if certain events occur.

Contractual undiscounted cash flows

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

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

Note 43:
Related-party transactions

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

Group	Associated undertakings		Other related parties[1]	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014
Assets				
Loans	0	1	12,193	15,903
Derivatives	0	0	6,922	8,281
Other assets	0	0	140	111
Total assets	**0**	**1**	**19,255**	**24,295**
Liabilities				
Deposits	23	526	224,309	222,107
Debt securities in issue	0	0	388	523
Derivatives	0	0	319	344
Subordinated liabilities	0	0	8,859	7,981
Other liabilities	0	0	1,434	1,096
Total liabilities	**23**	**526**	**235,309**	**232,051**

	Associated undertakings		Other related parties	
NOKm	2015	2014	2015	2014
Net interest income	0	-4	-2,735	-3,046
Net fee and commission income	15	19	670	510
Net result from items at fair value	0	0	15	323
Other operating income	0	0	67	37
Total operating expenses before loan losses	0	0	-718	-661
Profit before loan losses	**15**	**15**	**-2,701**	**-2,837**

[1]Companies significantly influenced by key management personnel in NBN as well as companies significantly influenced by close family members to these key management personnel are considered to be related parties to NBN. Transactions with related companies are made in NBN and the related companies' ordinary course of business and on the same criteria and terms as those for comparable transactions with companies of similar standing. They did not involve more than normal risk-taking. The transactions are therefore not included in the table. NBN has customer relationships with the related companies Fenistra Holding AS, a company where CEO Gunn Wærsted together with her spouse Knut Balchen, has indirect significant influence through the company Lukris Invest AS. The deposits from Lukris AS at year end 2015 amounts to 0.06m. Fenistra Holding AS has a deposit of 0.09m at year end 2015 and interest paid during 2015 amounts to 0.02m. NBN has a customer relationship with a related company, Skjeberg Investment AS, where Nina Iversen, a member of the Board of Representatives, has significant influence. Skjeberg Investment AS has deposits of 16.5m at year end 2015. Interest paid during 2015 amounts to 0.6m. NBN also has customer relationships with a subsidiarie of Skjeberg Investment AS, Glomma Papp AS. Glomma Papp AS has a deposit of 47.1m at year end 2015. Interest paid during 2015 amounts to 0.5m and interest income amounts to 0.03m. NBN also has customer relationships with the related companies Ringkjøb Eiendom AS, Ringkjøb Invest AS and PG-Holding AS, where Peter Groth, a member of the Board of Representatives, has significant influence. Loans to Ringkjøb Eiendom AS amounted to 11.2m at year end 2015 and interest income totals 0.4m in 2015. Deposits at year end 2015 amounted to 0.8m and interest paid during 2015 amounted to 0.03m. Ringkjøb Invest AS has a deposit of 7.8m and interest paid during 2015 amounted to 0.2m. PG-Holding AS has a deposit of 1.3m at year end 2015. Further NBN has a customer relationship with Ferd AS, where John Giverholt, a member of the Board of Representatives, is Chief Executive Officer. Deposits from Ferd AS amounted to 1 722m at year end 2015 and interest paid to Ferd AS totals 0.9m during the year. Loans to Ferd AS at year end 2015 amounted to 803m and interest income during 2015 from Ferd AS amounted to 9.8m.

Compensation and loans to key management personnel

Compensation and loans to key management personnel are specified in Note 8.

Nordea Bank Norge ASA will receive a group contribution from the wholly owned subsidiary Nordea Eiendomskreditt AS. See Note 18 for more information

Nordea Bank Norge ASA holds a 23,21% share in Eksportfinans ASA. Eksportfinans is an associated company accounted for under the equity method, and a related party to Nordea. In order to provide the company with sufficient liquidity buffers Eksportfinans' three major owner banks extended a committed credit line of USD 4bn. The facility had a 12 month maturity with the possibility of extension. The facility has been extended each year since 2009 with latest extension in 2015. The limit for the credit line was adjusted to USD 1bn in 2014. Nordea Bank Norge ASA's has a 32,55% share in the agreement equal to USD 325m. Eksportfinans has not yet utilized this credit facility.

Nordea Liv administers NBN's DCP pension plan, see Note 32 Retirement benefit obligations. NBN paid a total of NOK 37m in premiums to Nordea Liv in 2015 (26m in 2014).

Note 43:

Related-party transactions cont.

Parent company	Group undertakings		Associated undertakings		Nordea Norge Pension Foundation	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014	2015	2014
Assets						
Loans	40,543	36,280	0	1	0	0
Interest-bearing securities	1,163	11,160	0	0	0	0
Derivatives	273	364	0	0	0	0
Prepaid expenses and accrued income	11	20	0	0	0	0
Total assets	**41,991**	**47,824**	**0**	**1**	**0**	**0**
Liabilities						
Deposits	153	282	23	37	16	32
Derivatives	6,835	4,734	0	0	0	0
Total liabilities	**6,988**	**5,016**	**23**	**37**	**16**	**32**
Off balance						
Contingent liabilities	5,065	4,813	0	1	0	0
Credit commitment	0	0	2,871	2,425	0	0

	Group undertakings		Associated undertakings		Nordea Norge Pension Foundation	
Parent company	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2015	2014	2015	2014	2015	2014
Net interest income	192	707	0	-4	0	0
Net fee and commission income	4	3	15	19	0	0
Net result from items at fair value	125	-1,051	0	0	0	0
Other operating income	179	171	0	0	0	0
Total operating expenses	-31	-42	0	0	0	0
Profit before loan losses	**469**	**-212**	**15**	**15**	**0**	**0**

In addition to the transactions recognised above, Nordea Bank Norge ASA sells loans to the public to Nordea Eiendomskreditt AS, which constitute Nordea Eiendomskreditt AS's cover pool. Instalments, early redemptions and refinancing will over time reduce Nordea Eiendomskreditt AS's loan portfolio. Loans that cease to be a part of the portfolio, are replaced by new purchases of loans from the Nordea Bank Norge ASA, if deemed necessary to maintain the level of overcollateralisation. This year to date, loans amounting to NOK 29.2 billion have been transferred from Nordea Bank Norge ASA to Nordea Eiendomskreditt AS.

Compensations to Key Management personnel

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

Note 44:
Credit risk disclosures

Credit risk management and credit risk analysis is described in the Risk, Liquidity and Capital management section of the Board of Directors´ Report. Additional information on credit risk is also disclosed in the Capital and Risk management Report (Pillar III) 2015, which is available on www.nordea. com. Much of the information in this note is collected from the Pillar III report in order to fulfil the disclosure requirement regarding credit risk in the Annual report.

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

Exposures types, NOKm	31 Dec 2015	31 Dec 2,014
On-balance sheet items [1]	645,730	611,588
Off-balance sheet items	57,471	60,391
Securities financing	115	181
Derivatives	15,330	15,791
Exposure At Default (EAD)	**718,646**	**687,951**

[1] includes default fund contribution

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

Link between credit risk exposure and the balance sheet

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

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

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

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

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

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

On-balance sheet items

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

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

Off-balance sheet items

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

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

Derivatives and securities financing

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

Note 44:
Credit risk disclosures cont.

On-balance sheet items

31 Dec 2015, NOKm	Original Exposure	Items related to market risk	Repos, derivatives, securities lending	Other	Items not according to CRR	Balance Sheet
Cash and balances with central banks	6,860	0	0	0	0	6,860
Loans to credit institutions and central banks	13,785	0	349	-3	0	14,131
Loans to the public	515,589	0	101	-3,582	-90	512,018
Interest-bearing securities and pledged instruments	106,437	1,498	0	0	0	107,935
Derivatives[1]	0	0	11,611	0	0	11,611
Intangible assets	0	0	0	118	41	159
Other assets and prepaid expenses	3,622	1,683	0	1,751	672	7,728
Total assets	**646,293**	**3,181**	**12,061**	**-1,716**	**623**	**660,442**
Exposure at default[2]	**645,730**					

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

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

On-balance sheet items

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

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

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

Off-balance sheet items

31 Dec 2015, NOKm	Credit risk in Basel calculation	Items not according to CRR	Included in derivatives and securities financing	Off-balance sheet
Assets pledged as security for own liabilities	0	0	179,714	179,714
Contingent liabilities	2,166	0	0	2,166
Commitments	118,390	0	0	118,390
Total	120,557	0	179,714	300,271

31 Dec 2015, NOKm	Credit risk in Basel calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	77,843	0	77,843	51 %	39,916
Checking accounts	14,251	464	14,715	56 %	8,288
Loan commitments	26,296	0	26,296	35 %	9,239
Guarantees	2,166	0	2,166	0 %	3
Other	0	24	24	100 %	24
Total	120,557	489	121,045		57,471

Note 44:
Credit risk disclosures cont.

Off-balance sheet items

31 Dec 2014, NOKm	Credit risk in Basel II calculation	Included in derivatives and securities financing	Off-balance sheet
Assets pledged as security for own liabilities	0	171,007	171,007
Contingent liabilities	1,774	0	1,774
Commitments	120,159	0	120,159
Total	121,933	171,007	292,940

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

Exposure classes split by exposure type

31 Dec 2015, NOKm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	60,367	564			60,931
Institutions[1]	72,997	3,745	107	15,328	92,178
Corporate	236,735	42,036	8	1	278,780
Retail[2]	260,507	11,027		1	271,535
Other	15,125	99			15,223
Total exposure	**645,370**	**57,471**	**115**	**15,330**	**719,896**

31 Dec 2014, NOKm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	46,914	3,246			50,159
Institutions[1]	71,536	1,727	86	15,788	89,137
Corporate	239,495	44,621	94	0	284,211
Retail[2]	241,906	10,797	1	3	252,706
Other	11,737	0			11,737
Total exposure	**611,588**	**60,391**	**181**	**15,791**	**687,951**

[1]inlcudes default fund contribution

[2]includes exposures secured by real estates

Note 44:
Credit risk disclosures cont.

Exposure split by industry group

In the table below, the total exposure is split by industry. The industry breakdown mainly follows the Global Industries Classification Standard (GICS) and is based on NACE codes (i.e. statistical classification codes of economic activities in the European community). The real estate management and investment is the largest industry, which together with other financial companies and shipping and offshore are the only sectors that account for more than 7% of the total exposure of NOK 719bn. During the year, other financial companies industry was the one with the largest relative and nominal increase in exposures, while the largest nominal decrease was found within telecommunications operators industry. The largest relative decrease appeared in other, public and organisations.

Exposure split by industry group

NOKm	31 Dec 2015	31 Dec 2014
Banks	19,606	32,165
Construction and engineering	19,150	18,238
Consumer durables (cars, appliances, etc.)	11,635	13,580
Consumer staples (food, agriculture etc.)	19,285	19,306
Energy (oil, gas, etc.)	10,916	12,425
Health care and pharmaceuticals	2,098	1,405
Industrial capital goods	732	1,856
Industrial commercial services	22,067	24,170
IT software, hardware and services	1,762	3,074
Media and leisure	4,072	5,039
Metals and mining materials	1,628	1,573
Other financial institutions1	50,827	49,122
Other materials (chemical, building materials, etc.)	5,146	4,788
Other, public and organisations	373,936	328,907
Paper and forest materials	378	406
Real estate management and investment	83,889	86,575
Retail trade	11,776	13,445
Shipping and offshore	55,716	49,267
Telecommunication equipment	10	2
Telecommunication operators	3,782	3,561
Transportation	8,116	7,611
Utilities (distribution and production)	12,104	11,433
Total exposure	718,646	687,951

[1]: includes default fund contribution

Exposure secured by collaterals, guarantees and credit derivatives

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

Central governments and municipalities guarantee approximately 0% of the total guaranteed exposure. Exposures guaranteed by these guarantors have an average risk weight of 0%. 11% of the total guaranteed exposure is guaranteed by IRB institutions. The remainder is guaranteed by IRB corporate guarantors. Credit derivatives are only used as credit risk protection to a very limited extent since the credit portfolio is considered to be well diversified.

31 Dec 2015, NOKm	Original exposure	EAD	– of which secured by guarantees and credit derivatives	– of which secured by collateral
Government, local authorities and central banks	61,080	60,931	189	0
Institutions	91,987	92,178	0	5,005
Corporate	323,776	278,780	14,187	142,116
Retail[1]	290,177	271,535	223	225,852
Other	15,762	15,222	0	456
Total exposure	**782,782**	**718,646**	**14,599**	**373,429**

[1] Including exposures secured by real estate.

Note 44:

Credit risk disclosures cont.

Exposure secured by collaterals, guarantees and credit derivatives

31 Dec 2014, NOKm	Original exposure	EAD	– of which secured by guarantees and credit derivatives	– of which secured by collateral
Government, local authorities and central banks	48,173	50,159	212	0
Institutions	91,256	89,137	2,425	3,253
Corporate	327,897	284,211	10,614	137,743
Retail[1]	271,198	252,707	248	205,367
Other	12,305	11,737	1	373
Total exposure	**750,829**	**687,951**	**13,500**	**346,736**

[1] Including exposures secured by real estate.

Collateral distribution

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

(%)	31 Dec 2015	31 Dec 2014
Financial collateral	1.5	1.5
Receivables	1.7	1.8
Residential real estate	62.1	60.7
Commercial real estate	17.6	19.1
Other physical collateral	17.1	16.9
Total	**100**	**100**

Past due loans, excl. impaired loans

The table below shows loans past due 6 days or more that are not considered impaired split by corporate and household customers. Past due loans to corporate customers that are not considered impaired were at end of 2015 NOKm 1,952 up from NOKm 1,380 one year ago, while past due loans for household customers increased to NOKm 5,139 (NOKm 4,181).

	31 Dec 2015		31 Dec 2014	
NOKm	Corporate customers	Household customers	Corporate customers	Household customers
6–30 days	1,001	3,864	1,141	3,567
31–60 days	432	631	187	474
61–90 days	101	169	52	141
>90 days	418	476	0	0
Total	**1,952**	**5,139**	**1,380**	**4,181**
Past due not impaired loans divided by loans to the public after allowances, %	1%	2%	1%	2%

Loans to corporate customers, by size of loan

The distribution of loans to corporate by size of loans, seen in the table below, shows a high degree of diversification where approximately 61% (83%) of the corporate volume represents loans up to NOK 450 per customer.

	31 Dec 2015		31 Dec 2014	
Size in NOKm	Loans NOKbn	%	Loans NOKbn	%
0–90	73,412	29%	103,945	41%
90–450	80,967	32%	105,559	42%
450–900	55,628	22%	30,358	12%
900–2250	36,098	14%	13,060	5%
2250–4500	7,247	3%	0	0%
>4500	0	0%	0	0%
Total	**253,352**	**100%**	**252,921**	**100%**

Interest-bearing securities

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

To the Annual Shareholders' Meeting of Nordea Bank Norge ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Nordea Bank Norge ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2015, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for the parent company and the group Nordea Bank Norge ASA as at 31 December 2015, and its financial performance and its cash flows for

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

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

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 8 February 2016
PricewaterhouseCoopers AS

Erik Andersen
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

Statement by the Chief Executive Officer and the Board of Directors

The Chief Executive Officer and the Board of Directors have today considered and approved the Board of Director's report and the consolidated annual report of Nordea Bank Norge ASA (the group) as at 31 December 2015 including consolidated comparative figures as at 31 December 2014 (the annual report).

The annual report has been prepared in accordance with IFRS as adopted by the EU and additional Norwegian disclosure requirements for annual financial reports of banks and financial institutions with listed securities within the European Economic Area. According to our best knowledge, the annual report has been prepared in accordance with the applicable accounting standards and gives a true and fair view of the group's and the parent company's assets, liabilities, financial position and net profit as at 31 December 2015 and as at 31 December 2014 and of the results of the group's operations and cash flows for the year 2015 and the year 2014.

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, 8 February 2016

Lennart Jacobsen
Chairman

Tom Johannessen
Deputy Chairman

Karin S. Thorburn

Hilde Merete Tonne

Hans Christian Riise
Employee representative

Snorre Storset
Chief Executive Officer

Report by the Control Committee 2015

To the Annual Shareholders' Meeting of Nordea Bank Norge ASA

During 2015 the Control Committee has inspected the Bank's activities in accordance with the Commercial Banks Act § 13 and the instructions issued by the Supervisory Board on 4 August 1992.

The Control Committee has examined the accounts for 2015 and is of the view that they are in accordance with prevailing accounting regulations and International Financial Reporting Standards adopted by the European Union. The Control Committee considers the Board of Directors' evaluation of the Bank's financial position adequate and recommends that the income statement and balance sheet are adopted as presented.

With reference to other aspects of the accounts for 2015 the Control Committee refers to the auditor's report of 8. February 2016 and supports the views expressed therein concerning the submitted annual accounts.

Oslo, 9 February 2016

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

Board of Directors

The Board of Directors in Nordea Bank Norge ASA comprises the Head of Retail Banking, Lennart Jacobsen, as Chairman, and four members. In addition there are two deputy members.

The Chief Executive Officer in Nordea Bank Norge ASA is Snorre Storset.

Board of Directors 31 December 2015

Lennart Jacobsen
Born 1966. Head of Retail Banking and member of GEM. Member and Chairman of the Board since 2015.

Tom Johannessen
Born 1970. Head of Group Treasury & ALM. Member of the Board since 2015.

Karin S. Thorburn
Born 1964. Professor of Finance, The Norwegian School of Economics, Bergen. Member since 2010.

Hilde Merete Tonne
Born 1965. Executive Vice President in Telenor Group. Member since 2015.

Hans Christian Krogh Riise
Born 1961. Employee representative. Member since 2013.

Deputy members

Hedda Henriette Grundt
Deputy employee representative.

Arve Sæther
Deputy employee representative.

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