Nordea

Interim Report 3rd quarter 2016

Nordea Bank Norge Group

Key financial figures[1]

Income statements

NOKm	Q3 2016	Q2 2016	Change %	Q3 2015	Change %	Jan-Sep 2016	Jan-Sep 2015	Change %
Net interest income	2,381	2,354	1	2,350	1	7,013	7,027	-0
Net fee and commission income	656	724	-9	658	-0	2,020	1,995	1
Net result from items at fair value	182	152	20	-26	-800	411	386	6
Equity method	-63	37		140		-6	208	
Other operating income	46	64		44		160	132	
Total operating income	**3,202**	**3,331**	**-4**	**3,166**	**1**	**9,598**	**9,748**	**-2**
Staff costs	-720	-733	-2	-757	-5	-2,168	-2,277	-5
Other expenses	-445	-484	-8	-446	-0	-1,387	-1,338	4
Depreciation of tangible and intangible assets	-44	-32	38	-33	33	-112	-98	14
Total operating expenses	**-1,209**	**-1,249**	**-3**	**-1,236**	**-2**	**-3,667**	**-3,713**	**-1**
Profit before loan losses	**1,993**	**2,082**	**-4**	**1,930**	**3**	**5,931**	**6,035**	**-2**
Net loan losses	-679	-354	92	-122	457	-1,294	-574	125
Operating profit	**1,314**	**1,728**	**-24**	**1,808**	**-27**	**4,637**	**5,461**	**-15**
Income tax expense	-344	-409	-16	-461	-25	-1,103	-1,387	-20
Net profit for the period	**970**	**1,319**	**-26**	**1,347**	**-28**	**3,534**	**4,074**	**-13**

Business volumes, key items

NOKbn	30 Sep 2016	30 Jun 2016	Change %	30 Sep 2015	Change %
Loans to the public	514,8	518,0	-1	508,2	1
Deposits and borrowings from the public	244,2	236,3	3	234,0	4
Equity	59,6	58,6	2	55,2	8
Total assets	658,2	679,2	-3	667,0	-1

Ratios and key figures

	Q3[3] 2016	Q2[3] 2016	Q3[3] 2015	Jan-Sep[3] 2016	Jan-Sep[3] 2015
Basic/diluted Earnings per share (EPS), NOK	1.8	2.4	2.4	6.4	7.4
EPS, rolling 12 months up to period end, NOK	8.3	9.0	10.0	8.3	10.0
Equity per share[2], NOK	108.1	106.3	108	108.1	100.2
Shares outstanding[2], million	551	551	551	551	551
Return on equity, %	6.6	9.1	9.8	8.1	10.8
Return on assets[2], %	0.6	0.8	0.8	0.7	0.8
Cost/income ratio, %	38	37	39	38	38
Loan loss ratio, basis points	53	27	10	34	15
Common Equity Tier I capital ratio, excl. Basel I floor[2],%	28.0	26.3	24.2	28.0	24.2
Tier 1 capital ratio, excl. Basel I floor[2], %	30.1	28.3	26.3	30.1	26.3
Total capital ratio, excl. Basel I floor[2], %	32.4	30.6	28.4	32.4	28.4
Common Equity Tier 1 capital ratio, incl. Basel I floor[2], %	16.6	16.1	15.3	16.6	15.3
Tier 1 capital ratio, incl. Basel I floor[2], %	17.9	17.3	16.7	17.9	16.7
Total capital ratio, incl. Basel I floor[2], %	19.3	18.7	18.0	19.3	18.0
Tier 1 capital, NOKm	63,446	62,079	59,063	63,446	59,063
Risk exposure amount incl. Basel I floor[2], NOKbn	355	359	354	355	354
Number of employees (full-time equivalents)[2]	2,718	2,703	2,723	2,718	2,723

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

[2] End of period.

[3] Capital ratios including profit for the period.

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

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

Nordea Bank Norge Group

Group result and development

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

Macro economy and financial markets

Norwegian economic growth continued to improve during Q3 in line with the picture from H1 2016. The labour market improved, as unemployment has stabilized in the oil producing counties in the western part of the country, while unemployment has been falling in the rest of the country. Retail sales remained weak while house prices grew at a solid pace. Core inflation remained elevated during the first two months of Q3 around 3.5% (y/y), predominantly driven by a historically weak krone. Norges Bank kept key rates unchanged at 0.5% at the October meeting, and signalled that they do not expect the need for further rate cuts. Norwegian equities rose by 1.4% during the quarter while the oil price was about unchanged. The 10-year government bond yield increased by 20bps to 1.18%. The Norwegian krone strengthened by 4.6% in trade weighted terms.

Business development

Net profit in the third quarter amounted to 970m, down from 1,347m in the same period last year. YTD net profit amounts to 3,534m compared to 4,074m last year.

Retail banking

Retail Banking's digital journey developed further during Q3. One outcome of this was the announced cooperation with Danske Bank regarding MobilePay. The income level was slightly down compared to last quarter, where an increased NIBOR gave reduced contribution from lending related income while other areas increased. Expenses followed cost plan.

Wholesale banking

Corporate & Institutional Banking (CIB)

Deal activity has been good during the third quarter of 2016 compared to prior third quarters, however lower than last quarter that was record high. The development during the quarter and this year has been high, in spite of the slow-down of the Norwegian economy. Lending volumes have been stable the last quarter as we still see tough competition for corporate lending. The volatility in the Norwegian krone has had a positive effect on products related to currency hedging, and the positive momentum has continued throughout Q3.

Capital markets

Markets had a good third quarter, however lower compared to the second quarter due to seasonal variations. YTD the figures have been high compared to 2015. The high hedging activity continues to develop with a positive trend, both through high activity for FX hedging and increased interest for hedging interest rates after signals that the Norwegian reference rate has bottomed out. The Fixed Income market has as well been positive and it is currently still open for new issues for Solid High Yield Corporates, though it is still closed for the stressed companies. Within the Investment product area markets has also seen good activity.

Shipping, Offshore & Oil Services

Total operating income was up from previous quarter. The increase mainly came from higher lending, while expenses were slightly up compared to previous quarter due to high activity. However the loan losses both individual and collective for Q3 gave a net reduction in total operating profit. The offshore market continues to be affected by low oil prices and reduced exploration and oil production spending among oil and gas companies.

First nine months 2016 compared to first nine months 2015

Income

Total income is down from 9,748m to 9,598m.

Net interest income

Net interest income has been under pressure due to lower lending margins, however increased Household volume and increased deposit margins have given an unchanged net interest income compared to last year, amounting to 7,013m. Retail banking household and corporate lending margins are down due to interest rate reductions and strong competition.

Lending to the public increased by 7% to 515bn, where Household was the main contributor. Household lending grew 5% driven by mortgage lending. Corporate lending volumes were reduced by 3% for period end, however the average volumes for corporate increased for CIB and Shipping, while Retail corporate was reduced mostly due to business selection. Total deposits from the public increased by 4% to 244bn at the end of the period, showing the impact of the focus for funding through deposits. Retail Household was the main contributor while corporate has also increased in all segments.

Net fee and commission income

Net fee and commission income increased 1%, ending at 2,020m. The increase stems mainly from business driven lending related activities offset by decreased payment related commissions as a result of sale of Merchant Acquiring business to Nets in 2015.

Net result from items at fair value
Net result from items at fair value ended at 411m, up from 386m last year.

Increase is mainly related to Treasury portfolio improving with USD Bonds/swaps spread widening and currency related activities, offset by sale of debt collection portfolio in 2015.

Equity method
Net result for companies accounted for using the equity method amounted to a loss of 6m, which mainly relates to the 23.21% holding in Eksportfinans ASA. NBN continues to apply its own valuation model to the valuation of Eksportfinans's own debt. The decreased result of 214m compared to last year relates to general market conditions and related effects on credit spreads.

Other operating income
Other income amounted to 160m compared to 132m in the same period last year.

Expenses
Total operating expenses were down by 1% and ended at 3,667m compared to 3,713m in the same period last year. A decrease of staff related costs were slightly offset by an increase in IT related expenses, where the activity has been high in 2016. The cost/income ratio was stable with 38%. Number of employees (FTEs) is down by 0.2%.

Net loan losses
Net loan losses are up from 574m to 1,294m. The increase relates primarily to an increase in collective provisions and increases in individual loan losses for Shipping and Retail Corporate, while CIB has had reduced individual loan loss compared same period last year. The increase in collective provisions is a result of the negative macroeconomic outlook on oil related industries. Net loan loss ratio(annualised) in 2016 equals 34bp compared to 15bp in 2015.

Taxes
The effective tax rate was 23.8%, down from 25.4 % from the same period last year.

Net profit
Net profit for the first nine months of 2016 was 3,534m and decreased 13% compared to the same period last year. Return on equity (annualised) for the first nine months of 2016 was 8.1% compared to 10.8% last year.

Third quarter 2016 compared to the second quarter 2016

Income
Total income had a decrease by 4% from previous quarter to 3,202m.

Net interest income increased 1%, driven by increased average lending volumes in household. Lending margins were slightly reduced within Retail Household due to increased NIBOR, while corporate customer rates are showing some improvement in the second half of 2016. However the increased NIBOR has neutralized most of this effect, giving stable corporate margins in Q3. Ending balances on Total lending to public decreased by 1% while deposit volume increased by 3%.

Net fee and commission income decreased by 9% from last quarter. The activity has been high during Q3, but is slightly down compared to Q2 due to seasonality. Lending related commission in the third quarter was reduced, mostly due to seasonal effects. This was also the case for savings related items and other commission income. There were high activities within payments with both volume and margin increase for cards giving an increased income.

Net result from items at fair value amounted to 182m in Q3. The increase from 152m in Q2 was driven primarily by activities within currency and interest rate related instruments.

Expenses
Total operating expenses are down 3% due to a reduced seasonality cost within staff and IT related cost. Cost/income ratio was 38% compared to 37% in Q2.

Net loan losses
Total net loan losses for Q3 2016 was 679m, up from 354m in Q2 2016. Net loan losses of 679m consist of 219m in individual loan losses, compared to 229m in Q2, and collective provisions of 460m compared to 124m in Q2. The increase in collective provisions is mainly driven by a continued negative outlook for the oil, shipping and offshore related sectors affected by a low lasting oil price. The increase also reflects that the ongoing restructuring processes in oil-related industries continues.

Net profit
Net profit has decreased from 1,319m previous quarter to 970m.

Other information

Credit portfolio

Total lending to the public decreased with 1% compared to the previous quarter. Impaired loans gross is up 18% compared to one year ago and has increased 4% from three months ago ending at 5,562m. 54% of impaired loans gross are performing loans and 46% are non-performing loans, compared to 49% performing and 51% non-performing in Q2.

The total allowance rate is 75 basis points, compared to 54 basis points one year ago and 61 basis points at the end of last quarter. The industries with the largest allowances were shipping and offshore, industrial commercial services, other financial institutions, consumer durables and real estate management.

Balance Sheet

Total assets in the balance sheet decreased with 1% compared to one year ago and 3% compared to previous quarter. The main drivers of change in the last twelve months have been a decrease in loans to central banks and credit institutions which is an integrated part of Treasury in their liquidity management. Lending to public increased as the lending market has increased during the period. The main decrease in liabilities is related to deposit by credit institutions and is an integrated part of Treasury in their liquidity management, while slightly offset due to higher issuance of covered bonds during Q3.

Capital position and risk-weighted exposure

NBN's Common Equity Tier 1 capital ratio excluding Basel I rules was 28.0% including profit (26.3% excluding profit) at the end of the third quarter, an increase of 1.7 percentage points from the end of the previous quarter.

Including profit, the Tier 1 capital ratio excluding Basel I rules increased 1.8 percentage points to 30.1% (28.4% excluding profit). The Total capital ratio excluding Basel I rules, including profit increased 1.8 percentage points to 32.4% (30.7% excluding profit).

Risk Exposure Amount, REA (previously referred to as risk-weighted assets) was NOK 211bn excluding Basel I rules, a decrease of NOK 8.1bn, or 3.7% compared to the previous quarter. The decrease was primarily driven by the IRB institution portfolio along with the institution portfolio in the standardised approach. Additionally, the IRB corporate and retail portfolio also decreased REA, however to a much lesser extent compared to the main drivers mentioned above.

The Common Equity Tier 1 ratio including Basel I rules was 16.6% including profit (15.6% excluding profit) at the end of the third quarter. Including profit, the Own Funds was NOK 68bn (65bn excluding profit), the Tier 1 capital was NOK 63bn including profit (NOK 60bn excluding profit) and the Common Equity Tier 1 capital was NOK 59bn including profit (56bn excluding profit).

Liquidity coverage ratio

For Nordea Bank Norway Group combined LCR, as specified by Delegated Act, was 136%, NOK LCR 69%, EUR LCR 68% and USD LCR 545%. For Nordea Bank Norge ASA combined LCR was 158%, NOK LCR 77%, EUR LCR 68% and USD LCR 552%.

Regulation

In September the Ministry of Finance decided to recognize other countries countercyclical capital buffer rates for banks geographical exposures in other EU countries, as basis for calculating the institutional specific capital buffer. The new rules apply from 1 October.
On 30 September, the EEA Joint Committee in Brussel adopted nine decisions by a written procedure incorporating 31 legal acts into the EEA Agreement, all relating to the European financial supervisory framework. Incorporating the regulations establishing the European Financial Supervisory Authorities (ESAs) into the EEA Agreement allows for future incorporation of numerous acts aimed at rectifying flaws in the pre-crisis financial regulatory framework, and secure continued access for financial undertakings from the EEA EFTA States to the Internal Market. This is expected to entail that the Ministry of Finance in the future can incorporate the CRR/CRD IV as well as other important EU framework.

On 27 October, Finanstilsynet made public the result of its Supervisory Review and Evaluation Process (SREP) related to Nordea Bank Norway Group and Nordea Bank Norway ASA's Internal Capital Adequacy Assessment Process resulting in an additional CET1 capital requirement (Pillar 2) of 1,5 percent. Finanstilsynets review is based on the new Norwegian Pillar 2 methodology and assessments introduced in Finanstilsynets Circular 12/2016, which in particular is related to market risk, concentration risk, operational risk and defined pension plan risk. The Pillar 2 requirement becomes effective from 31 December 2016. Nordea already fulfils the Pillar 2 requirement that is to be met in addition to the Pillar 1 minimum requirements and the combined buffer requirement. In order for the bank to operate above the requirement it is recommended by Finanstilsynet that a management buffer of 1 percent is held.

Nordea's funding and liquidity operations

The NBN group, through its subsidiary Nordea Eiendomskreditt AS (NEK), issued approximately 27.9bn of covered bonds in the first three quarters of 2016, whereof 5.3bn in GBP and 0.9bn in EUR. Amounts maturing and purchased back were approximately 16.3bn during the first three quarters of 2016. A total of approximately 91.1bn has been rated and sold in the open market of NEK bonds (approximately 11.7bn issued in GBP and 0.9bn in EUR). For further information on liquidity management see the Annual Report 2015.

Progress on the simplification programme and compliance procedures

The process concerning the mergers of the Norwegian, Danish and Finnish banking subsidiaries with NBAB is on-going. Nordeas intention is to execute on the overall merger plan in early January 2017. Before the mergers can be executed we must, among other things, reach positive outcome from discussions being held with the relevant authorities in each country.

Nordea has during 2016 accelerated the investments in ensuring a strong compliance culture, and several of the newly recruited compliance professionals have their background in international G-SIFI banks and/or with regulators. Nordeas AML programme has during the last quarter been re-established with the aim to achieve long-term sustainable solutions and best-in-class processes. Nordea has invested significant resources in the most prioritised compliance risk areas, i.e. within the financial risk area, capital compliance and IT. We are making clear progress in our efforts to close the compliance gaps.

Events after the balance sheet date

Due to recent changes in the Norwegian pension and social security legislation, Nordea on 25 October decided to change the pension agreement with all employees in Norway born in 1958 or later from a defined benefit plan to a defined contribution plan. The pension rights earned under the defined benefit plan will be placed in paid-up policies and will continue to be presented as defined benefit obligations, as they remain on Nordea's balance sheet, but the obligations will decrease as the assumption on future salary increases has been removed. This will lead to an up-front gain, decrease of Staff cost, amounting to approx. NOK 600-650m including social charges in the fourth quarter 2016.

Quarterly development

NOKm	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Jan-Sep 2016	Jan-Sep 2015
Net interest income	2,381	2,354	2,278	2,307	2,350	7,013	7,027
Net fee and commission income	656	724	640	605	658	2,020	1,995
Net result from items at fair value	182	152	77	16	-26	411	386
Equity method	-63	37	20	49	140	-6	208
Other operating income	46	64	50	104	44	160	132
Total operating income	**3,202**	**3,331**	**3,065**	**3,081**	**3,166**	**9,598**	**9,748**
General administrative expenses:							
Staff costs	-720	-733	-715	-1012	-757	-2,168	-2,277
Other expenses	-445	-484	-458	-602	-446	-1,387	-1,338
Depreciation of tangible and intangible assets	-44	-32	-36	-37	-33	-112	-98
Total operating expenses	**-1,209**	**-1,249**	**-1,209**	**-1,651**	**-1,236**	**-3,667**	**-3,713**
Profit before loan losses	**1,993**	**2,082**	**1,856**	**1,430**	**1,930**	**5,931**	**6,035**
Net loan losses	-679	-354	-261	-196	-122	-1,294	-574
Operating profit	**1,314**	**1,728**	**1,595**	**1,234**	**1,808**	**4,637**	**5,461**
Income tax expense	-344	-409	-350	-185	-461	-1,103	-1,387
Net profit for the period	**970**	**1,319**	**1,245**	**1,049**	**1,347**	**3,534**	**4,074**
Basic/diluted Earnings per share (EPS), NOK	1.8	2.4	2.3	1.9	2.4	6.4	7.4
EPS, rolling 12 months up to period end, NOK	8.3	9.0	8.9	9.3	10.0	8.3	10.0

Income statements

NOKm	Note	Q3 2016	Q3 2015	Jan-Sep 2016	Jan-Sep 2015	Full year 2015
Operating income						
Interest income		4,097	4,365	12,300	13,412	17,591
Interest expense		-1,716	-2,015	-5,287	-6,385	-8,257
Net interest income		**2,381**	**2,350**	**7,013**	**7,027**	**9,334**
Fee and commission income		818	888	2,534	2,644	3,482
Fee and commission expense		-162	-230	-514	-649	-882
Net fee and commission income	3	**656**	**658**	**2,020**	**1,995**	**2,600**
Net result from items at fair value	4	182	-26	411	386	402
Equity method		-63	140	-6	208	257
Other operating income		46	44	160	132	236
Total operating income		**3,202**	**3,166**	**9,598**	**9,748**	**12,829**
Operating expenses						
General administrative expenses:						
Staff costs		-720	-757	-2,168	-2,277	-3,289
Other expenses	5	-445	-446	-1,387	-1,338	-1,940
Depreciation of tangible and intangible assets		-44	-33	-112	-98	-135
Total operating expenses		**-1,209**	**-1,236**	**-3,667**	**-3,713**	**-5,364**
Profit before loan losses		**1,993**	**1,930**	**5,931**	**6,035**	**7,465**
Net loan losses	6	-679	-122	-1,294	-574	-770
Operating profit		**1,314**	**1,808**	**4,637**	**5,461**	**6,695**
Income tax expense		-344	-461	-1,103	-1,387	-1,572
Net profit for the period		**970**	**1,347**	**3,534**	**4,074**	**5,123**
Attributable to:						
Shareholder of Nordea Bank Norge ASA		970	1,347	3,534	4,074	5,123
Total		**970**	**1,347**	**3,534**	**4,074**	**5,123**
Basic/diluted Earnings per share (EPS), NOK		1.8	2.4	6.4	7.4	9.3

Statements of comprehensive income

NOKm	Q3 2016	Q3 2015	Jan-Sep 2016	Jan-Sep 2015	Full year 2015
Net profit for the period	**970**	**1,347**	**3,534**	**4,074**	**5,123**
Items that may be reclassified subsequently to the income statement					
Available-for-sale investements:[2]					
Valuation gains/losses taken to equity	214	-216	429	-305	-523
Tax on valuation gains/losses during the period	-54	58	-107	82	131
Cash flow hedges:					
Valuation gains/losses during the period	-121	91	-176	112	135
Tax on valuation gains/losses during the period	30	-24	44	-30	-32
Items that may not be reclassified subsequently to the income statement					
Defined benefit plans:					
Remeasurement of defined benefit plans	-31	-465	-1,024	267	913
Tax on remeasurement of defined benefit plans	7	126	256	-72	-225
Other comprehensive income, net of tax	**45**	**-430**	**-578**	**54**	**399**
Total comprehensive income[1]	**1,015**	**917**	**2,956**	**4,128**	**5,522**

[1] Attributable to shareholder of Nordea Bank Norge ASA

[2] 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, 14 November 2016

Topi Manner
Chairman

Tom Johannessen
Deputy Chairman

Tone Wille
Board Member

Hans Chr. Riise
Employee representative

Snorre Storset
Chief Executive Officer

Balance sheets

NOKm	Note	30 Sep 2016	31 Dec 2015	30 Sep 2015
Assets				
Cash and balances with central banks		2,960	6,860	661
Loans to central banks and credit institutions	7	18,090	14,131	32,335
Loans to the public	7	514,834	512,018	508,205
Interest-bearing securities		110,609	107,860	105,243
Financial instruments pledged as collateral		0	75	44
Shares		182	413	374
Derivatives	12	3,237	11,612	11,371
Fair value changes of the hedged items in portfolio hedge of interest rate risk		348	473	518
Investments in associated undertakings		1,745	1,751	1,702
Intangible assets		165	159	158
Property and equipment		1,090	1,232	1,192
Investment property		6	55	55
Deferred tax assets		640	0	0
Current tax assets		0	0	328
Other assets		2,427	1,857	2,820
Prepaid expenses and accrued income		1,859	1,946	2,041
Total assets		**658,192**	**660,442**	**667,047**
Liabilities				
Deposits by central banks and credit institutions		222,640	245,461	259,453
Deposits and borrowings from the public		244,173	240,430	233,970
Debt securities in issue		100,357	90,759	89,456
Derivatives	12	6,578	1,622	2,153
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,515	1,625	1,728
Current tax liabilities		5,117	359	450
Other liabilities		3,974	6,112	7,319
Accrued expenses and prepaid income		1,720	1,891	1,897
Deferred tax liabilities		0	3,194	2,821
Provisions		251	304	261
Retirement benefit obligations		2,285	1,416	1,931
Subordinated liabilities		9,983	10,625	10,359
Total liabilities		**598,593**	**603,798**	**611,798**
Equity				
Share capital		4,962	4,962	4,962
Share premium reserve		8,850	8,850	8,850
Other reserves		192	771	425
Retained earnings		45,595	42,061	41,012
Total equity		**59,599**	**56,644**	**55,249**
Total liabilities and equity		**658,192**	**660,442**	**667,047**
Assets pledged as security for own liabilities		175,175	179,714	164,903
Contingent liabilities		2,025	2,166	1,736
Commitments		109,199	118,390	119,270

Statements of changes in equity

NOKm	Share capital[1]	Share premium	Other reserves: Cash flow hedges	Other reserves: Available-for-sale investments	Other reserves: Defined benefit plans	Retained earnings	**Total equity**
Opening balance at 1 Jan 2016	**4,962**	**8,850**	**191**	**-214**	**793**	**42,061**	**56,644**
Total comprehensive income			-132	322	-768	3,534	**2,956**
Closing balance at 30 Sep 2016	**4,962**	**8,850**	**59**	**108**	**25**	**45,595**	**59,599**

NOKm	Share capital[1]	Share premium	Other reserves: Cash flow hedges	Other reserves: Available-for-sale investments	Other reserves: Defined benefit plans	Retained earnings	**Total equity**
Opening balance at 1 Jan 2015	**4,411**	**3,402**	**88**	**178**	**105**	**36,936**	**45,120**
Total comprehensive income			103	-392	688	5,123	**5,522**
Share capital increase	551	5,449					**6,000**
Share-based payments[2]						1	**1**
Other changes						1	**1**
Closing balance at 31 Dec 2015	**4,962**	**8,850**	**191**	**-214**	**793**	**42,061**	**56,644**

NOKm	Share capital[1]	Share premium	Other reserves: Cash flow hedges	Other reserves: Available-for-sale investments	Other reserves: Defined benefit plans	Retained earnings	**Total equity**
Opening balance at 1 Jan 2015	**4,411**	**3,402**	**88**	**178**	**105**	**36,936**	**45,120**
Total comprehensive income			81	-223	195	4,074	**4,128**
Share capital increase	551	5,449					**6,000**
Share-based payments[2]						1	**1**
Closing balance at 30 Sep 2015	**4,962**	**8,850**	**169**	**-45**	**300**	**41,012**	**55,249**

[1] Total shares registered were 551m (31 Dec 2015: 551m, 30 Sep 2015: 551m).

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

Cash flow statements

NOKm	Jan-Sep 2016	Jan-Sep 2015	Full year 2015
Operating activities			
Operating profit	4,637	5,461	6,695
Adjustments for items not included in cash flow	516	2,687	2,222
Income taxes paid	-5	-2,514	-1,425
Cash flow from operating activities before changes in operating assets and liabilities	**5,148**	**5,635**	**7,491**
Changes in operating assets and liabilities	-13,449	-9,169	-9,033
Cash flow from operating activities	**-8,301**	**-3,534**	**-1,542**
Investing activities			
Sale/acquisition of business operations	0	0	56
Properties and equipment	81	-325	73
Intangible assets	-17	-23	-30
Sale/acquisition of other financial fixed assets	0	0	-456
Net investments in debt securities, held to maturity	2,501	378	375
Cash flow from investing activities	**2,565**	**30**	**19**
Financing activities			
Increase in par value and share premium	0	6,000	6,000
Cash flow from financing activities	**0**	**6,000**	**6,000**
Cash flow for the period	**-5,736**	**2,496**	**4,477**
Cash and cash equivalents at beginning of period	**19,902**	**15,425**	**15,425**
Translation differences	0	0	0
Cash and cash equivalents at end of period	**14,166**	**17,921**	**19,902**
Change	**-5,736**	**2,496**	**4,477**

Cash and cash equivalents The following items are included in cash and cash equivalents (NOKm):	30 Sep 2016	30 Sep 2015	31 Dec 2015
Cash and balances with central banks	2,960	661	6,860
Loans to credit institutions, payable on demand	11,206	17,259	13,042

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

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

Notes to the financial statements

Note 1 - Accounting policies

The consolidated interim financial statements are presented in accordance with IAS 34 Interim Financial Reporting.

The same accounting policies and methods of computations are followed as compared to the Annual Report 2015, for more information see Note 1 Accounting Principles in the Annual Report 2015. For changes implemented during 2016, see below.

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

Changed accounting policies and presentation
The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2015 Annual Report, except for the presentation of Net fee and commission income as described below. Below follows also information on changes in IFRSs implemented and published during the quarter.

Net fee and commission income
The presentation of Net fee and commission income has been changed to better reflect NBN's net return on different product lines. The main change compared with the earlier presentation is that income and related expenses are presented net as opposed to the earlier gross presentation:

New presentation of Note 3 Net fee and commission income

NOKm	Q3 2015	Jan-Sep 2015	Full year 2015
Asset management commissions	57	129	184
Life insurance	27	79	107
Deposit Products	12	29	41
Brokerage, securities issues, and corporate finance	81	324	447
Custody and issuer services	23	68	91
Payments	32	79	113
Cards	132	371	476
Lending Products	267	809	1,054
Guarantees and documentary payments	8	21	25
Other commission income	19	86	62
Net fee and commission income	**658**	**1,995**	**2,600**

IFRS amendments implemented during the period
The following amendments published by IASB were implemented on 1 January 2016 but have not had any significant impact on Nordea's financial statements:

- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"
- IAS 1 "Disclosure Initiative"
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Annual Improvements to IFRSs, 2012-2014 Cycle

New IFRS standards not yet implemented

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. Nordea 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 Nordea 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. Nordea'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 Nordea 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, Nordea 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 Nordea generally uses macro (portfolio) hedge accounting, Nordea'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.

Nordea 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 fourth quarter of 2016. Nordea does not currently intend to early adopt the standard. The standard does not apply to financial instruments, insurance contracts or lease contracts. Nordea has not finalised the investigation of the impact on the financial statements but the current assessment is that the new standard will not have any significant impact on 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 term- and small ticket leases) should be accounted for on the balance sheet of the lessee as a right to use the asset and a corresponding liability, and 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 and earlier application is permitted. The new standard is not yet endorsed by the EU Commission. Nordea does not currently intend to early adopt IFRS 16. NBN's current assessment is that the new standard will change the accounting of property leases, which mainly affects NBN's balance sheet.

Other items
ESMA has published a guideline for Alternative Performance Measures. Nordea publishes this information regarding definitions and calculations for Nordea Bank Norge on the shared site for investor relations:
www.nordea.com/en/investor-relations/

Exchange rates

EUR 1 = NOK	Jan-Sep 2016	Full year 2015	Jan-Sep 2015
Income statement (average)	9.3801	8.9434	8.8109
Balance sheet (at end of period)	8.9865	9.6030	9.5425
USD 1 = NOK			
Income statement (average)	8.4066	8.0624	7.9060
Balance sheet (at end of period)	8.0517	8.8206	8.5017
SEK 1 = NOK			
Income statement (average)	1.0012	0.9562	0.9402
Balance sheet (at end of period)	0.9341	1.0450	1.0124
DKK 1 = NOK			
Income statement (average)	1.2595	1.1991	1.1814
Balance sheet (at end of period)	1.2060	1.2868	1.2768

Note 2 - Segment reporting[1]

			Wholesale Banking															
	Retail Banking NO		CIB Total		Shipping, Offshore & Oil Services		Other Wholesale[3,4]		Group Corporate Centre		Wealth Management[4]		Total Operating segments		Reconciliation[2,3]		Total Group	
	Jan-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
Total operating income, NOKm	6,326	6,837	1,722	1,544	1,152	1,195	519	708	2,698	2,373	-377	-422	12,040	12,235	-2,442	-2,487	9,598	9,748
Operating profit, NOKm	2,498	3,381	1,244	881	473	1,018	-5	180	2,290	2,235	-256	-277	6,244	7,418	-1,607	-1,957	4,637	5,461
Loans to the public, NOKbn	420	415	40	37	54	56	1	0	0	0	0	0	515	508	0	0	515	508
Deposits and borrowings from the public, NOKbn	170	169	58	47	16	18	0	0	0	0	0	0	244	234	0	0	244	234

Reconciliation between total operating segments and financial statements

	Total operating income, NOKm[3,4]		Operating profit, NOKm[3,4]		Loans to the public, NOKbn		Deposits and borrowings from the public, NOKbn	
	Jan-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
Total Operating segments	12 040	12 235	6 244	7 418	515	508	244	234
Reconciliation[2]	-1 348	-1 360	-988	-1 278	0	0	0	0
Eliminations	-3	-1	0	0	0	0	0	0
Differences in accounting policies between the segments and the group regarding Markets[3]	-1 091	-1 126	-619	-679	0	0	0	0
Total	**9 598**	**9 748**	**4 637**	**5 461**	**515**	**508**	**244**	**234**

[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.

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 2015 Annual Report there have been no changes in the measurement of segment profit or loss.

Changes in basis of segmentation
Nordea's organisation is developed around the three main business areas Retail Banking, Wholesale Banking and Wealth Management. The separate divisions within these main business areas have been identified as operating segments. Also Group Corporate Centre has been identified as an operating segment. Financial results are presented for the two main business areas Retail Banking and Wholesale Banking, with further breakdown on operating segments, and for the operating segment Group Corporate Centre. Other operating segments below the quantitative thresholds in IFRS 8 are included in Other operating segments. Other group functions and eliminations as well as the result that is not fully allocated to any of the operating segments, are shown separately as reconciling items.

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

Note 3 - Net fee and commission income[1]

NOKm	Q3 2016	Q2 2016	Q3 2015	Jan-Sep 2016	Jan-Sep 2015	Full year 2015
Asset management commissions	57	40	57	136	129	184
Life insurance	29	29	27	88	79	107
Deposit Products	9	6	12	18	29	41
Brokerage, securities issues, and corporate finance[1]	76	140	81	289	324	447
Custody and issuer services	20	29	23	65	68	91
Payments	45	45	32	126	79	113
Cards	141	93	132	354	371	476
Lending Products	261	317	267	882	809	1,054
Guarantees and documentary payments	8	4	8	21	21	25
Other commission income	10	21	19	41	86	62
Net fee and commission income	**656**	**724**	**658**	**2,020**	**1,995**	**2,600**

[1] The presentation has been changed, see Note 1 Accounting policies for further information.

Note 4 - Net result from items at fair value

NOKm	Q3 2016	Q2 2016	Q3 2015	Jan-Sep 2016	Jan-Sep 2015	Full year 2015
Shares/participations and other share-related instruments	2	3	8	21	52	41
Interest related instruments and foreign exchange gains/losses	180	149	-37	387	331	358
Investment properties	0	0	3	3	3	3
Total	**182**	**152**	**-26**	**411**	**386**	**402**

Note 5 - Other expenses

NOKm	Q3 2016	Q2 2016	Q3 2015	Jan-Sep 2016	Jan-Sep 2015	Full year 2015
Information technology	160	188	175	530	488	673
Marketing and representation	16	22	23	56	68	96
Postage, transportation, telephone, and office expenses	26	25	33	84	110	156
Rents, premises, and real estate expenses	70	77	98	231	308	442
Other	173	172	117	486	364	573
Total	**445**	**484**	**446**	**1,387**	**1,338**	**1,940**

Note 6 - Net loan losses

NOKm	Q3 2016	Q2 2016	Q3 2015	Jan-Sep 2016	Jan-Sep 2015	Full year 2015
Divided by class						
Realised loan losses	-72	-66	-61	-270	-732	-1,000
Allowances to cover realised loan losses	24	48	41	183	671	864
Recoveries on previous realised loan losses	6	12	14	36	35	64
Provisions	-802	-610	-248	-1,893	-858	-1,273
Reversals of previous provisions	163	260	138	647	402	574
Loans to the public[1]	**-681**	**-356**	**-116**	**-1,297**	**-482**	**-771**
Provisions	-18	-4	-6	-24	-93	-13
Reversals of previous provisions	20	6	0	27	1	14
Off-balance sheet items	**2**	**2**	**-6**	**3**	**-92**	**1**
Net loan losses	**-679**	**-354**	**-122**	**-1,294**	**-574**	**-770**

[1] See Note 7 Loans and impairment.

Note 7 - Loans and impairment

NOKm	Total 30 Sep 2016	30 Jun 2016	31 Dec 2015	30 Sep 2015
Loans, not impaired	531,363	552,717	524,659	538,759
Impaired loans	5,562	5,360	4,455	4,697
- Performing	3,021	2,645	2,649	2,741
- Non-performing	2,541	2,715	1,806	1,956
Loans before allowances	**536,925**	**558,077**	**529,114**	**543,456**
Allowances for individually assessed impaired loans	-2,562	-2,442	-2,152	-2,271
- Performing	-1,367	-1,328	-1,229	-980
- Non-performing	-1,195	-1,114	-923	-1,291
Allowances for collectively assessed impaired loans	-1,439	-979	-813	-645
Allowances	**-4,001**	**-3,421**	**-2,965**	**-2,916**
Loans, carrying amount	**532,924**	**554,656**	**526,149**	**540,540**

	Central banks and credit institutions				The public			
NOKm	30 Sep 2016	30 Jun 2016	31 Dec 2015	30 Sep 2015	30 Sep 2016	30 Jun 2016	31 Dec 2015	30 Sep 2015
Loans, not impaired	18,090	36,653	14,131	32,335	513,273	516,064	510,528	506,424
Impaired loans	0	0	0	0	5,562	5,360	4,455	4,697
- Performing	0	0	0	0	3,021	2,645	2,649	2,741
- Non-performing	0	0	0	0	2,541	2,715	1,806	1,956
Loans before allowances	**18,090**	**36,653**	**14,131**	**32,335**	**518,835**	**521,424**	**514,983**	**511,121**
Allowances for individually assessed impaired loans	0	0	0	0	-2,562	-2,442	-2,152	-2,271
- Performing	0	0	0	0	-1,367	-1,328	-1,229	-980
- Non-performing	0	0	0	0	-1,195	-1,114	-923	-1,291
Allowances for collectively assessed impaired loans	0	0	0	0	-1,439	-979	-813	-645
Allowances	**0**	**0**	**0**	**0**	**-4,001**	**-3,421**	**-2,965**	**-2,916**
Loans, carrying amount	**18,090**	**36,653**	**14,131**	**32,335**	**514,834**	**518,003**	**512,018**	**508,205**

Allowances and provisions

NOKm	30 Sep 2016	30 Jun 2016	31 Dec 2015	30 Sep 2015
Allowances for items in the balance sheet	-4,001	-3,421	-2,965	-2,916
Provisions for off-balance sheet items	-43	-45	-46	-139
Total allowances and provisions	**-4,044**	**-3,466**	**-3,011**	**-3,055**

Key ratios

	30 Sep 2016	30 Jun 2016	31 Dec 2015	30 Sep 2015
Impairment rate, gross[1], basis points	104	96	84	86
Impairment rate, net[2], basis points	56	52	44	45
Total allowance rate[3], basis points	75	61	56	54
Allowances in relation to impaired loans[4], %	46	46	48	48
Total allowances in relation to impaired loans[5], %	72	64	67	62
Non-performing, not impaired, NOKm	1,242	954	920	647

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

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

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

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

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

Note 8 - Classification of financial instruments

NOKm	Loans and receivables	Held to maturity	Financial assets at fair value through profit or loss: Held for trading	Financial assets at fair value through profit or loss: Designated at fair value through profit or loss	Derivatives used for hedging	Available for sale	Total
Assets							
Cash and balances with central banks	2,960						2,960
Loans to central banks and credit institutions	17,829		261				18,090
Loans to the public	514,568		266				514,834
Interest-bearing securities		3,009	34,367			73,233	110,609
Shares				182			182
Derivatives			410		2,827		3,237
Fair value changes of the hedged items in portfolio hedge of interest rate risk	348						348
Other assets	642			839			1,481
Prepaid expenses and accrued income	1,782						1,782
Total 30 Sep 2016	**538,129**	**3,009**	**35,304**	**1,021**	**2,827**	**73,233**	**653,523**
Total 31 Dec 2015	535,242	5,510	37,600	770	5,566	71,605	656,293
Total 30 Sep 2015	544,490	5,508	37,307	977	8,173	66,258	662,713

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	Total
Liabilities					
Deposits by credit institutions	29			222,611	222,640
Deposits and borrowings from the public				244,173	244,173
Debt securities in issue				100,357	100,357
Derivatives	3,789		2,789		6,578
Fair value changes of the hedged items in portfolio hedge of interest rate risk				1,515	1,515
Other liabilities		686		525	1,211
Accrued expenses and prepaid income				734	734
Subordinated liabilities				9,983	9,983
Total 30 Sep 2016	**3,818**	**686**	**2,789**	**579,898**	**587,191**
Total 31 Dec 2015	1,008	3,220	1,107	589,268	594,604
Total 30 Sep 2015	1,106	3,327	1,327	596,580	602,340

Note 9 - Fair value of financial assets and liabilities

	30 Sep 2016		31 Dec 2015	
NOKm	Carrying amount	Fair value[1]	Carrying amount	Fair value[1]
Financial assets				
Cash and balances with central banks	2,960	2,960	6,860	6,860
Loans	533,272	534,584	526,622	536,694
Interest-bearing securities	110,609	110,623	107,860	107,877
Financial instruments pledged as collateral	0	0	75	75
Shares	182	182	413	413
Derivatives	3,237	3,237	11,612	11,612
Other assets	1,481	1,481	988	988
Prepaid expenses and accrued income	1,782	1,782	1,863	1,863
Total	**653,523**	**654,849**	**656,293**	**666,382**

	Carrying amount	Fair value[1]	Carrying amount	Fair value[1]
Financial liabilities				
Deposits and debt instruments	568,685	568,701	588,901	588,803
Derivatives	6,578	6,578	1,622	1,622
Other liabilities	1,945	1,945	3,294	3,294
Accrued expenses and prepaid income	9,983	9,983	787	787
Total	**587,191**	**587,207**	**594,604**	**594,506**

[1] The determination of fair value is described in the 2015 Annual Report, Note 39 Assets and liabilities at fair value.

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

Categorisation into the fair value hierarchy

	30 Sep 2016			
NOKm	Quoted prices in active markets for same instrument (Level 1)	Valuation technique using observable data (Level 2)	Valuation technique using non-observable data (Level 3)	Total
Assets at fair value on the balance sheet[1]				
Loans to central banks and credit institutions	0	261	0	261
Loans to the public	0	266	0	266
Interest-bearing securities	41,656	65,944	0	107,600
Shares	0	0	182	182
Derivatives	0	3,237	0	3,237
Other assets	0	839	0	839
Investment properties	0	0	1,090	1,090
Prepaid expenses and accrued income	0	0	0	0
Total 30 Sep 2016	**41,656**	**70,547**	**1,272**	**113,475**
Total 31 Dec 2015	39,624	75,732	239	115,595
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions	0	28	0	28
Derivatives	0	6,578	0	6,578
Other liabilities	0	686	0	686
Total 30 Sep 2016	**0**	**7,292**	**0**	**7,292**
Total 31 Dec 2015	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.

Determination of fair values for items measured at fair value on the balance sheet
Financial assets and liabilites with offsetting positions in markets risk and counterparty risk are measured on the basis of the price that would be received to sell the net asset position or paid to transfer the net liability position for that risk exposure. For more information about valuation techniques and inputs used in the fair value measurement, see the 2015 Annual Report, Note 39 Assets and liabilities at fair value.

Transfers between level 1 and 2
During the period, Nordea transferred interest-bearing securities of NOK 292m from Level 1 to Level 2 and NOK 827m from Level 2 to Level 1 of the fair value hierarchy. The reason for the transfer from Level 1 to Level 2 was that the instruments ceased to be actively traded during the period and fair values have now been obtained using valuation techniques with observable market inputs. The reason for the transfer from Level 2 to Level 1 was that the instruments have again been actively traded during the period and reliable quoted prices are obtained in the market. Transfers between levels are considered to have occurred at the end of the reporting period.

Movements in level 3[1]

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

NOKm	1 Jan 2016	Unrealised fair value gains/losses recorded in the income statement	Purchases	Sales	Translation differences	30 Sep 2016
Assets						
Shares	184	4	0	0	-6	182

[1] Relates to those assets and liabilites held at the end of the reporting period.

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

Unrealised gains and losses relate to those assets and liabilities held at the end of the reporting period. Transfers between levels are considered to have occurred at the end of the reporting period. Fair value gains and losses in the income statement during the period are included in "Net result from items at fair value". Assets and liabilities related to derivatives are presented net.

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

NOKm	Fair value	Valuation techniques
Unlisted Shares	182	Discounted cash flow/net asset value
Total 30 Sep 2016	**182**	

Note 11 - Capital adequacy

Summary of items included in own funds

NOKm	30 Sep[1] 2016	31 Dec[1] 2015	30 Sep[1] 2015
Calculation of own funds			
Equity in the consolidated situation	59,648	56,731	55,249
Proposed/actual dividend			
Common Equity Tier 1 capital before regulatory adjustments	59,648	56,731	55,249
Deferred tax assets			
Intangible assets	-123	-118	-159
IRB provisions shortfall (-)	-64	-330	-91
Deduction for investments in credit institutions (50%)			
Pension assets in excess of related liabilities			-1
Other items, net	-401	-609	-600
Total regulatory adjustments to Common Equity Tier 1 capital	-588	-1,057	-851
Common Equity Tier 1 capital (net after deduction)	**59,060**	**55,674**	**54,398**
Additional Tier 1 capital before regulatory adjustments	4,386	4,677	4,665
Total regulatory adjustments to Additional Tier 1 capital			
Additional Tier 1 capital	4,386	4,677	4,665
Tier 1 capital (net after deduction)	**63,446**	**60,351**	**59,063**
Tier 2 capital before regulatory adjustments	4,428	4,852	4,676
IRB provisions excess (+)	515	0	0
Deduction for investments in credit institutions (50%)			
Deductions for investments in insurance companies			
Pension assets in excess of related liabilities			
Other items, net			
Total regulatory adjustments to Tier 2 capital	515	0	0
Tier 2 capital	4,943	4,852	4,676
Own funds (net after deduction)	**68,389**	**65,203**	**63,739**

[1] Including profit of the period

Own Funds, excluding profit

NOKm	30 Sep 2016	31 Dec 2015	30 Sep 2015
Common Equity Tier 1 capital, excluding profit	55,546	50,860	50,701
Total Own Funds, excluding profit	64,875	60,389	60,042

Note 11 - Capital adequacy cont.

Minimum capital requirement and REA

NOKm	30 Sep 2016 Minimum Capital requirement	30 Sep 2016 REA	31 Dec 2015 Minimum Capital requirement	31 Dec 2015 REA	30 Sep 2015 Minimum Capital requirement	30 Sep 2015 REA
Credit risk	**14,779**	**184,738**	**15,342**	**191,783**	**15,148**	**189,347**
- of which counterparty credit risk	84	1,053	239	2,986	218	2,728
IRB	13,396	167,451	13,986	174,827	13,399	167,484
- corporate	10,057	125,712	10,196	127,454	9,754	121,928
- advanced	9,408	117,606	9,626	120,328	9,188	114,849
- foundation	649	8,106	570	7,126	566	7,079
- institutions	412	5,151	612	7,646	440	5,494
- retail	2,646	33,076	2,932	36,646	2,943	36,782
- secured by immovable property collateral	2,038	25,470	2,226	27,827	2,259	28,233
- other retail	608	7,606	706	8,819	684	8,549
- other	281	3,512	246	3,081	262	3,280
Standardised	1,383	17,287	1,356	16,956	1,749	21,863
- central governments or central banks	128	1,601		1	17	206
- regional governments or local authorities	17	206	21	265	22	276
- public sector entities		5	1	13	1	13
- multilateral development banks						
- international organisations						
- institutions	461	5,761	584	7,303	920	11,499
- corporate	11	142	8	104	7	88
- retail	537	6,707	514	6,422	502	6,280
- secured by mortgages on immovable properties						
- in default	4	49	5	57	7	84
- associated with particularly high risk						
- covered bonds						
- institutions and corporates with a short-term credit assessment						
- collective investments undertakings (CIU)						
- equity	38	475	62	774	21	266
- other items	187	2,341	161	2,017	252	3,151
Credit Value Adjustment Risk	**22**	**278**	**56**	**690**	**52**	**654**
Market risk	**41**	**512**	**272**	**3,405**	**280**	**3,495**
- trading book, Internal Approach	34	421	239	2,990	233	2,908
- trading book, Standardised Approach	7	91	33	415	47	587
- banking book, Standardised Approach						
Operational risk	**1,894**	**23,671**	**1,826**	**22,822**	**1,826**	**22,822**
Standardised	1,894	23,671	1,826	22,822	1,826	22,822
Additional risk exposure amount due to Article 3 CRR	**146**	**1,822**	**145**	**1,809**	**659**	**8,239**
Sub total	**16,882**	**211,021**	**17,641**	**220,509**	**17,965**	**224,557**
Adjustment for Basel I floor						
Additional capital requirement according to Basel I floor	11,519	143,995	10,697	133,718	10,388	129,859
Total	**28,401**	**355,016**	**28,338**	**354,227**	**28,353**	**354,416**

Note 11 - Capital adequacy cont.

Minimum Capital Requirement & Capital Buffers

		Capital Buffers						
Percentage	**Minimum Capital requirement**	**CCoB**	**CCyB[1]**	**CCyB[2]**	**SII**	**SRB**	**Capital Buffers total[2]**	**Total[2]**
Common Equity Tier 1 capital	4.5	2.5	1.2	1.5	2.0	3.0	9.0	**13.5**
Tier 1 capital	6	2.5	1.2	1.5	2.0	3.0	9.0	**15.0**
Own funds	8	2.5	1.2	1.5	2.0	3.0	9.0	**17.0**
NOKm								
Common Equity Tier 1 capital	15,976	8,875	4,349	5,325	7,100	10,650	31,951	47,927
Tier 1 capital	21,301	8,875	4,349	5,325	7,100	10,650	31,951	53,252
Own funds	28,401	8,875	4,349	5,325	7,100	10,650	31,951	60,353

[1] Calculated in accordance with EU legislation (2013/36/EU)

[2] Calculated in accordance with current Norwegian Regulations. The rules are to be amended from the 1st October 2016

Common Equity Tier 1 available to meet Capital Buffers

Percentage points of REA	**30 Sep[1,2] 2016**	**31 Dec[1,2] 2015**	**30 Sep[1,2] 2015**
Common Equity Tier 1 capital	11.3	10.4	10.0

[1] Including profit of the period

[2] Including Basel I floor

Capital ratios

Percentage	**30 Sep 2016**	**31 Dec 2015**	**30 Sep 2015**
Common Equity Tier 1 capital ratio, including profit	28.0	25.2	24.2
Tier 1 capital ratio, including profit	30.1	27.4	26.3
Total capital ratio, including profit	32.4	29.6	28.4
Common Equity Tier 1 capital ratio, excluding profit	26.3	23.1	22.6
Tier 1 capital ratio, excluding profit	28.4	25.2	24.7
Total capital ratio, excluding profit	30.7	27.4	26.7

Capital ratios including Basel I floor

Percentage	**30 Sep 2016**	**31 Dec 2015**	**30 Sep 2015**
Common Equity Tier 1 capital ratio, including profit	16.6	15.7	15.3
Tier 1 capital ratio, including profit	17.9	17.0	16.7
Total capital ratio, including profit	19.3	18.4	18.0
Common Equity Tier 1 capital ratio, excluding profit	15.6	14.4	14.3
Tier 1 capital ratio, excluding profit	16.9	15.7	15.6
Total capital ratio, excluding profit	18.3	17.0	16.9

Leverage ratio	**30 Sep[1,2] 2016**	**31 Dec[1] 2015**	**30 Sep[1] 2015**
Tier 1 capital, transitional definition, NOKm	63,446	60,351	59,063
Leverage ratio exposure, NOKm	712,923	791,786	797,505
Leverage ratio, percentage	8.9	7.6	7.4

[1] Including profit of the period

[2] Leverate ratio is calculated according to the Delegated Act

Note 11 - Capital adequacy cont.

Credit risk exposures for which internal models are used, split by rating grade	On-balance exposure, NOKm	Off-balance exposure, NOKm	Exposure value (EAD), NOKm[1]	of which EAD for off-balance, NOKm	Exposure-weighted average risk weight:
Corporate, foundation IRB:	10,900	1,071	11,984	804	68
of which					
- rating grades 6	127	1	136	1	16
- rating grades 5	2,162	357	2,492	269	33
- rating grades 4	5,387	146	5,610	109	64
- rating grades 3	2,270	542	2,793	406	99
- rating grades 2	426	23	438	17	168
- rating grades 1	42		41		235
- unrated	78	2	66	2	106
- defaulted	408		408		
Corporate, advanced IRB:	221,694	77,160	262,252	43,142	45
of which					
- rating grade 6	10,522	9,149	15,877	5,299	14
- rating grades 5	47,234	32,383	67,209	18,732	25
- rating grades 4	114,365	28,667	128,267	15,174	39
- rating grades 3	26,500	4,063	27,543	2,329	62
- rating grades 2	16,628	2,280	16,934	1,444	116
- rating grades 1	160	22	174	16	123
- unrated	262	226	392	134	48
- defaulted	6,023	370	5,856	14	182
Institutions, foundation IRB:	50,064	1,739	55,100	1,717	9
of which					
- rating grades 6	43,632		45,138	258	6
- rating grades 5	5,514	1,060	8,698	949	20
- rating grades 4	440	675	977	506	62
- rating grades 3	295		59		91
- rating grades 2	74	4	77	4	168
- rating grades 1					
- unrated	109		151		86
- defaulted					
Retail, of which secured by real estate:	226,584	19,317	232,887	6,304	11
of which					
- scoring grades A	166,789	16,760	172,233	5,444	5
- scoring grades B	32,626	1,488	33,112	486	11
- scoring grades C	12,388	506	12,563	175	23
- scoring grades D	6,686	232	6,772	86	43
- scoring grades E	5,776	280	5,871	95	67
- scoring grades F	1,196	26	1,205	9	112
- not scored	126	15	130	5	40
- defaulted	997	10	1,001	4	228
Retail, of which other retail:	32,234	11,148	37,194	4,962	20
of which					
- scoring grades A	18,611	6,844	21,549	2,938	8
- scoring grades B	5,794	1,806	6,617	823	17
- scoring grades C	2,503	950	2,948	448	33
- scoring grades D	1,690	494	1,930	241	47
- scoring grades E	2,725	382	2,901	175	49
- scoring grades F	399	51	422	23	71
- not scored	120	577	414	293	36
- defaulted	392	44	413	21	247
Other non credit-obligation assets:	4,045		3,512		100

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

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

Note 11 - Capital adequacy cont.

Capital requirements for market risk	Trading book, IM		Trading book, SA		Banking book, SA		Total	
NOKm	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement	REA	Capital requirement
Interest rate risk & other[1]	3		64	5			67	5
Equity risk	148	12	27	2			175	14
Foreign exchange risk								
Commodity risk								
Settlement risk								
Diversification effect	-3						-3	
Stressed Value-at-Risk	273	22					273	22
Incremental Risk Measure								
Comprehensive Risk Measure								
Total	421	34	91	7			512	41

[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.

Note 12 - Risks and uncertainties

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

NBN's main risk exposure is credit risk. NBN also assumes risks such as market risk, liquidity risk, and operational risk. For further information on risk composition, see the 2015 Annual Report.

The deteriorating macroeconomic situation has not had a material impact on NBN's financial position. However, the macroeconomic development and its effect on NBN remain uncertain.

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

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

Nordea Bank Norge ASA
Income statements

NOKm	Q3 2016	Q3 2015	Jan-Sep 2016	Jan-Sep 2015	Full year 2015
Operating income					
Interest income	3,231	3,460	9,716	10,487	13,820
Interest expense	-1,342	-1,660	-4,209	-5,249	-6,804
Net interest income	**1,889**	**1,800**	**5,507**	**5,238**	**7,016**
Fee and commission income	777	848	2,406	2518	3,314
Fee and commission expense	-159	-227	-506	-640	-871
Net fee and commission income	**618**	**621**	**1,900**	**1,878**	**2,443**
Net result from items at fair value	177	-22	409	404	406
Dividends and group contribution	0	8	1,440	1,808	1,808
Other operating income	169	67	472	193	317
Total operating income	**2,853**	**2,474**	**9,728**	**9,521**	**11,990**
Operating expenses					
General administrative expenses:					
Staff costs	-675	-713	-2,034	-2,149	-3,116
Other expenses	-451	-410	-1,355	-1,234	-1,796
Depreciation of tangible and intangible assets	-21	-18	-57	-59	-79
Total operating expenses	**-1,147**	**-1,141**	**-3,446**	**-3,442**	**-4,991**
Profit before loan losses	**1,706**	**1,333**	**6,282**	**6,079**	**6,999**
Net loan losses	-671	-108	-1,244	-542	-709
Operating profit	**1,035**	**1,225**	**5,038**	**5,537**	**6,290**
Income tax expense	-259	-333	-1,244	-1,485	-1,558
Net profit for the period	**776**	**892**	**3,794**	**4,052**	**4,732**

Nordea Bank Norge ASA
Balance sheets

NOKm	30 Sep 2016	31 Dec 2015	30 Sep 2015
Assets			
Cash and balances with central banks	2,960	6,860	661
Loans to central banks and credit institutions	55,539	54,668	62,129
Loans to the public	373,533	381,338	387,245
Interest-bearing securities	108,589	107,525	106,407
Financial instruments pledged as collateral	0	75	44
Shares	179	410	371
Derivatives	3,707	11,885	11,517
Fair value changes of the hedged items in portfolio hedge of interest rate risk	308	409	446
Investments in group undertakings	7,971	7,218	7,218
Investments in associated undertakings	417	417	417
Intangible assets	75	82	87
Property and equipment	416	489	514
Investment property	1	1	1
Deferred tax assets	1,282	0	0
Other assets	2,338	1,566	2,781
Prepaid expenses and accrued income	1,060	1,051	1,139
Total assets	**558,375**	**573,994**	**580,977**
Liabilities			
Deposits by central banks and credit institutions	223,877	245,516	259,548
Deposits and borrowings from the public	244,289	240,525	234,016
Liabilities to policyholders	0	0	0
Debt securities in issue	9,090	9,131	8,512
Derivatives	6,911	8,456	8,248
Fair value changes of the hedged items in portfolio hedge of interest rate risk	86	19	42
Current tax liabilities	4,857	0	19
Other liabilities	4,068	6,115	7,358
Accrued expenses and prepaid income	953	1,027	1,040
Deferred tax liabilities	0	2,468	2,278
Provisions	275	303	261
Retirement benefit obligations	2,216	1,369	1,864
Subordinated liabilities	9,983	10,625	10,357
Total liabilities	**506,605**	**525,554**	**533,543**
Equity			
Share capital	4,962	4,962	4,962
Share premium reserve	8,850	8,850	8,850
Other reserves	258	723	396
Retained earnings	37,700	33,905	33,226
Total equity	**51,770**	**48,440**	**47,434**
Total liabilities and equity	**558,375**	**573,994**	**580,977**
Assets pledged as security for own liabilities	67,021	82,893	77,995
Contingent liabilities	7,239	7,232	6,648
Commitments	202,394	191,352	191,148

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