Nordea

Annual Report 2016

Nordea Bank Norge

Contents

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 600 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.

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

	2016	2015	Change %	2014	2013	2012
Total operating income, NOKm	12,804	12,829	0	13,173	12,685	12,083
Total operating expenses[2], NOKm	4,383	5,364	-18	5,498	4,725	4,989
Profit before loan losses[2], NOKm	8,421	7,465	13	7,675	7,960	7,094
Net loan losses, NOKm	1,538	770	100	821	1,401	958
Operating profit[2], NOKm	6,883	6,695	3	6,854	6,559	6,136
Net profit for the year[2], NOKm	5,217	5,123	2	4,963	4,701	4,440
Loans to the public, NOKbn	514.1	512.0	0	499.9	462.8	456.0
Deposits and borrowings from the public, NOKbn	239.3	240.4	0	236.8	218.9	219.0
Equity[2], NOKbn	61.6	56.6	9	45.1	40.8	35.9
Total assets[2,3], NOKbn	669.4	660.4	1	649.7	598.1	574.0

Ratios and key figures

	2016	2015	2014	2013	2012
Earning per share (EPS)[2], NOK	9.5	9.3	9.0	8.5	8.1
Equity per share[1,2], NOK	111.8	102.7	81.8	74.0	65.1
Shares outstanding[1], million	551	551	551	551	551
Return on equity[2], %	8.9	9.9	11.6	12.3	14.5
Return on assets[1], %	0.8	0.8	0.8	0.8	0.8
Cost/income ratio[2], %	34	42	42	37	42
Loan loss ratio, basis points	30	15	16	30	19
Core tier 1 capital ratio, excluding transition rules[1], %	29.8	25.2	21.7	17.8	14.6
Tier 1 capital ratio, excluding transition rules[1], %	31.9	27.4	24.2	20.0	16.7
Total capital ratio, excluding transition rules[1], %	34.4	29.6	26.3	21.3	17.6
Core tier 1 capital ratio[1], %	17.0	15.7	12.7	12.5	10.7
Tier 1 capital ratio[1], %	18.2	17.0	14.2	14.0	12.3
Total capital ratio[1], %	19.7	18.4	15.4	15.0	13.0
Core tier 1 capital[1], NOKm	61,078	55,674	44,552	40,019	33,774
Tier 1 capital[1], NOKm	65,476	60,351	49,739	44,978	38,589
Risk-weighted assets, including transition rules[1], NOKbn	359	354	351	321	314
Number of employees[1] (full-time equivalents)	2,714	2,645	2,703	2,862	2,889

[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.

Quarterly development[1]

NOKm	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	YTD 2016	YTD 2015
Net interest income	2,315	2,381	2,354	2,278	2,307	2,350	2,292	2,385	9,328	9,334
Net fee and commission income	731	656	724	640	605	658	650	687	2,751	2,600
Net result from items at fair value	77	182	152	77	16	-26	106	306	488	402
Profit/-loss from the companies accounted for under the equity method	13	-63	37	20	49	140	33	35	7	257
Other income	70	46	64	50	104	44	46	42	230	236
Total operating income	**3,206**	**3,202**	**3,331**	**3,065**	**3,081**	**3,166**	**3,127**	**3,455**	**12,804**	**12,829**
General administrative expenses										
Staff costs	-73	-720	-733	-715	-1,012	-757	-745	-775	-2,241	-3,289
Other expenses	-611	-445	-484	-458	-602	-446	-440	-452	-1,998	-1,940
Depreciation, amortisation and impairment charges of tangible and intangible assets	-32	-44	-32	-36	-37	-33	-33	-32	-144	-135
Total operating expenses before loan losses	**-716**	**-1,209**	**-1,249**	**-1,209**	**-1,651**	**-1,236**	**-1,218**	**-1,259**	**-4,383**	**-5,364**
Profit before loan losses	**2,490**	**1,993**	**2,082**	**1,856**	**1,430**	**1,930**	**1,909**	**2,196**	**8,421**	**7,465**
Net loan losses	-244	-679	-354	-261	-196	-122	-190	-262	-1,538	-770
Operating profit	**2,246**	**1,314**	**1,728**	**1,595**	**1,234**	**1,808**	**1,719**	**1,934**	**6,883**	**6,695**
Income tax expense	-563	-344	-409	-350	-185	-461	-469	-457	-1,666	-1,572
Net profit for the period	**1,683**	**970**	**1,319**	**1,245**	**1,049**	**1,347**	**1,250**	**1,477**	**5,217**	**5,123**

[1] The quarterly figures are unaudited

Nordea Bank Norge Group - Five year overview

Income statements

NOKm	2016	2015	2014	2013	2012
Net interest income	9,328	9,334	9,808	9,391	8,896
Net fee and commission income	2,751	2,600	2,668	2,440	2,412
Net result from items at fair value	488	402	620	512	456
Profit from associated undertakings accounted for under the equity method	7	257	-58	139	136
Other operating income	230	236	135	203	183
Total operating income	**12,804**	**12,829**	**13,173**	**12,685**	**12,083**
General administrative expenses:					
Staff costs	-2,241	-3,289	-3,188	-2,674	-2,930
Other expenses	-1,998	-1,940	-1,948	-1,900	-1,856
Depreciation, amortisation and impairment charges of tangible and intangible assets	-144	-135	-362	-151	-203
Total operating expenses before loan losses	**-4,383**	**-5,364**	**-5,498**	**-4,725**	**-4,989**
Profit before loan losses	**8,421**	**7,465**	**7,675**	**7,960**	**7,094**
Net loan losses	-1,538	-770	-821	-1,401	-958
Operating profit	**6,883**	**6,695**	**6,854**	**6,559**	**6,136**
Income tax expense	-1,666	-1,572	-1,891	-1,858	-1,696
Net profit for the year	**5,217**	**5,123**	**4,963**	**4,701**	**4,440**

Balance sheets

NOKm	2016	2015	2014	2013	2012
Cash and balances with central banks	8,815	6,860	2,499	2,600	3,836
Loans to central banks and credit institutions	18,499	14,131	17,863	33,076	17,798
Loans to the public	514,137	512,018	499,922	462,772	455,990
Interest-bearing securities and pledged instruments	117,125	107,935	92,966	83,931	83,057
Derivatives	4,561	11,612	11,951	5,190	1,466
Other assets	6,304	7,886	24,539	10,551	11,532
Total assets	**669,441**	**660,442**	**649,740**	**598,120**	**573,679**
Deposits by credit institutions	248,494	245,461	239,053	243,146	228,997
Deposits and borrowings from the public	239,332	240,430	236,754	218,862	218,952
Debt securities in issue	93,256	90,759	84,664	70,977	65,793
Derivatives	2,879	1,622	1,732	1,508	2,075
Subordinated liabilities	10,459	10,625	9,471	8,294	7,879
Other liabilities	13,401	14,901	32,946	14,558	14,074
Equity	61,620	56,644	45,120	40,775	35,909
Total liabilities and equity	**669,441**	**660,442**	**649,740**	**598,120**	**573,679**

Ratios and key figures

	2016	2015	2014	2013	2012
Earning per share (EPS)[2], NOK	9.5	9.3	9.0	8.5	8.1
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Return on equity[2], %	8.9	9.9	11.6	12.3	14.5
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Board of Directors'[1] 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.

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. As a result, mortage loans sold to NE are derecognised in NBN ASA's balance sheet and recognised as loans in NEs balance sheet. NBN Group figures remain unchanged. In 2016 a total of NOK 21.7bn 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.

Legal structure 2017

The merger plans were approved by all authorities by December 2016. As of the 2nd January 2017 the Norwegian, Danish and Finnish subsidiary banks were successfully changed to branches of the Swedish parent company. The mergers will enable maintaining a "One Bank" operating model and a more straightforward legal structure better reflects the Nordic way we operate today. At the same time we continue to be fully committed in operating in each country and the decisions will still be made close to the customer, as they have always been.

Pension, defined benefit plan

NBN decided on 25 October 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 are placed in paid-up policies and will continue to be presented as defined benefit obligations, as they remain on NBN's balance sheet, but the obligations have decreased as the assumptions on future salary increases has been removed. This has led to an up-front gain, decrease of Staff cost, amounting to NOK 654m including social charges as a curtailment effect in the fourth quarter 2016. At the same time, NBN has changed the defined contribution plan to become competitive and this is in line with Norwegian law on occupational pension.

Macroeconomic and financial market development

The final quarter of 2016 marked the end of a year characterized by political uncertainty. In the US, republican candidate Donald Trump won the presidential election. In Europe, a referendum in Italy disapproved a law to amend the Italian constitution, which subsequently led to the resignation of Prime Minister Matteo Renzi in December. Moreover, uncertainty continued to loom over the terms of the UK's exit from the EU. The global economy continued to struggle with slow growth, weak investments, deflationary pressures and decreasing cross-border trade in goods and services. Growth in Europe continued along its low but stable real rate of 1.7% (y/y), supported by domestic demand. In order to spur inflation, the European Central Bank pledged to extend the quantitative easing program an extra nine months until December 2017, but also stated that it would lower its monthly purchases by March. In the US, economic growth improved on the back of improving investments to 1.7% (y/y). The labour market continues to remain strong and subtle signs of inflationary pressures emerged, which led the Federal Reserve to increase interest rates with 0.25% in December as expected by the market. The emerging economies continued to be impacted by low levels of trade, investments and the structurally slowing Chinese economy, that however showed improving data for business confidence. Financial markets reacted positively to Donald Trump's election in the US on expectations of increased fiscal stimulus resulting in higher yields in fixed income markets and higher equity prices. In particular, US equity markets recorded a new all-time high in the fourth quarter of 2016, whereas Emerging Markets reacted more adversely to the US election results. European equity markets ended the quarter 9.6% higher – recouping the loss for the year. US equity markets were 3.2% higher. US 10-year yields increased substantially by 85bp, whereas German 10-year yields increased 33bp during the quarter, and the EURUSD exchange rate fell by 6.4% to 1.05.

Growth data from Q3 showed signs of a slowing Norwegian economy, as the contraction in oil related businesses continued to weigh on the economy. Still, the background for the rest of the economy was rather good

[1] Board of Directors in Nordea Bank AB (publ), surviving entity after the merger between Nordea Bank Norge ASA and Nordea Bank AB (publ) effective as of 2 January 2017

and unemployment was stable. The negative trend in retail sales appeared to be stabilizing and retail sales increase somewhat in Q4. Housing prices showed no signs of weakness with growth of 11.5% (y/y) in November. Core inflation slowed during the autumn and was 2.6% in November, after hovering above 3% for most of 2016. Norges Bank kept key rates unchanged at 0.5% at the December meeting, and signalled that they do not expect the need for further rate cuts. The 10-year government bond yield increased by 44.5bp in Q4 to 1.63%. The Norwegian krona was 2.0% weaker on trade weighted terms and Norwegian equities were up by 11.9%.

Business development in 2016

Net profit increased by 2% in 2016 compared to 2015. Adjusted for non-recurring items in 2015 (restructuring charge of 308m in Q4) and this year (effect from change from defined benefit pension (DBP) plan to a defined contribution plan (DCP) of 654m in Q4) net profit decreased 12% compared with last year.

The past year was a challenging year with record low interest rates, unexpected political events and increasing turmoil around the globe. Total income was unchanged primarily as lower margins from lending offset increased lending volumes leaving net interest income on the same level as last year. Net fee and commission income was positively affected by an increase in lending related commission income. Profit from associated undertakings accounted for under equity method decreased with reduced credit spread effects.

Total expenses are down 18%. Excluding non-recurring items in 2015 and 2016, total expenses were unchanged. Loan loss ratio increased to 30 basis points from 15 basis points, as a result of an increase in net loan losses of 758m compared to last year.

During the year Nordea have continued to deliver on its transformation agenda. An important step was taken in the beginning of June when the first product on our core banking platform successfully went live. Digitalisation continued to be a main driver within the business areas and our customers' usage of online and mobile solutions is growing rapidly. Customers should be able to reach us anytime, anywhere. One out of six customer meetings are now held online.

Close to summer Retail Banking was divided into two new business areas, Personal Banking and Commercial & Business Banking. This change will adjust the organisation more clearly according to the different customer needs, sharpen customer focus and strengthen the execution capacity in each of the two new business areas.

In October Nordea joined a partnership on MobilePay in Denmark and Norway. With this partnership Nordeas customers in Norway and Denmark get easy access to a user-friendly mobile payment solution that is subject to constant innovation.

Commercial & Business Banking

Total income somewhat down on reduced lending volumes and reduced lending margins. Pressure on lending margins was compensated by increased deposit margins and deposit volumes. Net loan losses were divided between some large single customer cases and an increase in collective provisions.

Personal Banking

Total income was down mainly due to pressure on lending margins. Lending volume growth has been reduced and deposits level is closed to unchanged comparing average end of 2016 with 2015. Remote meetings have increased from 15% of all meetings in 2015 to 23% in 2016 indicating changed customer needs. Loan losses are marginally up and on levels indicating low risk in lending portfolio.

Wholesale banking

Fixed Income Currency & Commodities and Equities

After a slow start, hedging activity picked up throughout the year, both through high activity for FX hedging and hedging interest rates after signals that the Norwegian reference rate had bottomed out. The Fixed Income market has been more stable and positive as well (both High Yield and Investment Grade) even though there were only a few High Yield issues in the 2nd half of 2016. In the beginning of 2017, the market is currently "open" for new issues for Solid High Yield Corporates. Within the Investment product area we have also seen good activity.

Corporate & Investment Banking

Total income in Corporate & Investment Banking for 2016 was up compared to 2015, mainly driven by net commission income from lending, guarantees and advisory. At the end of 2016, loan and deposit volumes were flat or slightly declining from last year. Low oil price and oil and gas companies' lower spending on exploration and oil production continues to negatively affect the offshore market. This was a contributing factor to the higher loan loss provisions made in 2016.

Result summary for 2016

Income

Total operating income was NOK 12,804m (12,829), unchanged from last year.

Net interest income was stable at NOK 9,328m (9,334). Net interest income has been under pressure due to lower lending margins, however increased Household volume and increased deposit margins have left net interest income on same level as last year. Personal Banking lending margins are down due to interest rate reductions. Interest rates have been repriced in the second half of the year but the effect was offset by a higher NIBOR. Commercial and Business Banking (C&BB) lending margins are down due to strong competition. Lending margins within Corporate and Investment Banking (C&IB) are unchanged.

Lending to the public was essentially unchanged at 514bn with an increase for Personal Banking offset by a reduction within the corporate segments. Household lending grew 3% driven by mortgage lending. Corporate lending volumes were reduced by 3% for period end, however the average volumes for corporate increased for C&IB, while C&BB was reduced mostly due to business selection.

Total deposits from the public were unchanged at 239bn at the end of the period. Average deposit volumes have however increased with 3%, spread across all business areas showing the impact of the focus for funding through deposits. Deposit margins are up in all business areas, following lower interest rates.

Net fee and commission income is up 6% to NOK 2,751m. 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 on items at fair value increased from NOK 402m to NOK 488m (21%). The increase is mainly related to Treasury portfolio improving with bonds/swaps spread widening and increased income from FX related activities, offset by sale of debt collection portfolio in 2015.

Profit/loss from associated undertakings accounted for under the equity method was NOK 7m for 2016, compared to NOK 257m last year. The result is mainly related to Eksportfinans ASA. NBN continues to apply its own valuation model to the valuation of Eksportfinans's own debt. The decreased result of 250m compared to last year relates to general market conditions and related effects on credit spreads. See note Note 19 Investments in associated undertakings for more information.

Other operating income ended at 230m for 2016, a decrease of 6m from last year.

Expenses

Total operating expenses decreased 18% to NOK 4,383m. Adjusted for non-recurring items last year (restructuring provision of 308m in Q4) and this year (effect from change from DBP to DCP of NOK 654m in Q4) the development in total operating expenses is unchanged. Staff costs, adjusted for non-recurring items in 2016 and 2015, were down 4%, primarily related to reduced variable salaries and decreased pension costs. The number of full-time equivalents (FTE) at end of period was up by 3% and ended at 2,714.

Other expenses, adjusted for non-recurring items, have increased 5%. The increase is mainly explained by higher IT costs and increased use of consultants in line with increasing group projects and initiatives. This is partly offset by lower costs for office rents.

Net loan losses

Net loan losses increased to NOK 1,538m, from NOK 770m in 2015 following higher collective provisions and increased individual loan losses within primarily C&BB and C&IB (mainly related to Shipping, Offshore and Oil services). The increase in collective provisions is a result of a continued negative macroeconomic outlook for oil and offshore related sectors affected by a lower oil price. Net loan loss ratio (annualised) in 2016 equals 30bp compared to 15bp in 2015. Individual net loan loss ratio is 17bp in 2016 compared to 15bp in 2015 and collective provision ratio equals to 12bp in 2016 compared to 4bp in 2016. Impaired loans gross are up 43% from last year and are mainly related to increase in non-servicing loans.

Taxes

The income tax expense was NOK 1,666m, giving an effective tax rate of 24.2% (23.5) for NBN Group and 24.8% (24.8) for the parent company. The difference between the effective tax rate and the expected tax rate of 25% in 2016 mainly stems from a change in tax rate.

Net profit

The net profit for the year rose 2% and amounted to NOK 5,217m (5,123), and adjusted for non-recurring items, net profit decreased 12%. The return on equity was 8.9% (9.9%).

Comments on the Balance Sheets - financial structure

Total assets grew by 1%, to NOK 669bn at the end of 2016.

Assets

The balance sheet increased 9bn (1%) compared to last year, of which Interest-bearing Securities increased 9.3bn (9%). The main driver was higher volumes in Group Treasury & ALM (TALM), which is part of the liquidity management in Nordea and thus will depend on the current strategy and market conditions. A drop in EUR/NOK and USD/NOK has decreased the value of the balance sheet in 2016 compared to last year.

Liabilities and funding activities

Total liabilities are up 4bn (1%). The increase was mainly due to increased Deposits by Credit Institutions (3bn) and higher Debt Securities in issue (2.5bn). The former is due to positions made in the inter-bank market and large variations between reporting periods are normal. The latter is driven by changed positions in the covered bonds market.

Equity

Shareholder's equity was up from NOK 57bn and ended at NOK 62bn.

Appropriation of net profit for the year

The net profit in the parent company for the year amounted to NOK 5,194m, up from 4,732m last year (9%).

According to IFRS, distribution of group contributions and dividends will not be recognised until a formal decision is made by the General Assembly. All of the net profit as of 31 December 2016 will therefore be distributed to retained earnings in the balance sheet as of 31 December 2016. As a part of the strategy for NBN ASA, no dividend is planned to be paid from the 2016 earnings in order to maintain the capital adequacy position at year end.

The Board of Directors will propose to the General Assembly a distribution of a group contribution with taxable effect of NOK 2,721m from NBN ASA to the wholly owned group sister-company Livforsikringsselskapet Nordea Liv Norge AS. NBN ASA will in turn receive a group contribution without taxable effect of NOK 2,041m from Livforsikringsselskapet Nordea Liv Norge AS. The group contributions will not affect the equity in NBN in 2016.

For the General Assembly 24 February 2017 it will be proposed a distribution of a group contribution with taxable effect of NOK 2,721m from NBN ASA to Livforsikringsselskapet Nordea Liv Norge AS and that net profit of NOK 5,194m for 2016 is retained within NBN ASA.

Nordea's funding and liquidity operations
Approximately NOK 21.7bn of covered bonds were issued during the year. For further information on liquidity management see pages 18-19.

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 2016 to be healthy.

NBN is not engaged in significant research and development activities.

Antitrust investigation by the EFTA Surveillance Authority
On 25 October 2016, the EFTA Surveillance Authority (ESA) opened proceedings against several market players in the Norwegian banking sector, including NBN. The case concerns alleged restrictive agreements and / or concerted actions between Norwegian banks, their industry association Finans Norge and BankID Norge AS to block the Swedish payment service initiation provider Trustly AB from entering the Norwegian market. A dialogue has been initiated between Nordea and Trustly. Provided a solution can be found between Nordea and Trustly, there are good reasons to believe that ESA will accept to close the case informally, or, alternatively, by adopting a commitment decision. Should the dialogue fail, there is a risk of an infringement decision imposing a fine on Nordea.

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

Management principles and control
Group Board of Directors and Board Risk Committee
The Group Board of Directors 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 of Directors, which also decides on policies Group Directives for credit risk, counterparty credit risk, market risk, liquidity risk, business risk, model risk, life insurance risk, operational risk, compliance risk as well as the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP). All directives are reviewed at least annually.

The Board of Directors approves the credit instructions, where powers-to-act for major credit committees in the organisation are stated. These authorisations vary for different decision-making levels, mainly in terms of the size of limits but also depending on the internal risk categorisation of customers. The Group Board of Directors furthermore decides on the limits for market and liquidity risk in the Group.

The Group Board Risk Committee assists the Board of Directors in fulfilling its responsibilities in terms of overseeing management and control of risk, 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 Nordea.

The CEO and GEM regularly review reports on risk exposure and have established a number of committees for risk, liquidity and capital management. 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.
- Financial Management Committee (FMC) has been established next to ALCO and Risk Committee. FMC governs performance management and financial reporting related issues (e.g. Group Valuation Committee).
- The Risk Committee, chaired by the Chief Risk Officer (CRO), oversees the management and control of the Nordeas Group's risks on aggregate level and evaluates the sufficiency of the risk frameworks, controls and processes associated with these risks. Furthermore, the Risk Committee decides, within the scope of resolutions adopted by the Board of Directors, on the allocation of the credit risk limits, market risk limits as well as the liquidity risk limits to the risk taking units. The limits are set in accordance with the business strategies and are reviewed at least annually. The heads of the units allocates 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 (GEM CC) is chaired by the CEO. As of January 2017, the Executive Credit Committee (ECC) is chaired by the Head of Group Credit Risk Management (GCRM), while the Group Credit Committee Commercial and Business Banking (GCCCBB) and the Group Credit Committee Wholesale Banking (GCCWB) are chaired by the Chief Credit Officer (CCO). These credit committees approve major internal credit risk limits constituting the maximum credit risk appetite on the customer in question. Individual credit decisions within approved internal credit risk limits are taken within the customer responsible units (CRUs). Internal credit risk limits are granted as individual limits for customers or consolidated customer groups as well as industry limits for certain defined industries.

Governance of Risk Management and Compliance

Group Risk Management & Control and Group Compliance is the second line of defence. The flow of risk related information from the Business Areas and the Group Functions to the Board of Directors passes through Risk Committee and Board Risk Committee (BRIC). Reporting from Group Compliance is presented directly to the Board of Directors as well as discussed in the Board Audit Committee (BAC).

As of January 2017, Group Risk Management & Control is organised in the following divisions covering all risk types except compliance risk: Group Credit Risk & Control, Group Market and Counterparty Credit Risk, Group Operational Risk, Balance Sheet Risk Control, Chief Operational Officer Function, and CRO Office. The flow of information starts with the divisions that monitor and analyse information on the respective risk type. The risks are presented and discussed in the Risk Committee and sub committees. Information on risk is then brought to BRIC, where risk issues are being discussed and prepared before presented to the Board of Directors.

Group Compliance consists of central units as well as business area specific divisions, facilitating and overseeing the effectiveness and integrity of the Group's compliance risk management. Group Compliance adds value to the Group and its stakeholders by providing an independent view on compliance with applicable rules and regulations, based to a great extent on conducted monitoring activities. Furthermore, Group Compliance advises and supports the first line of defence on ways to effectively and efficiently manage compliance obligations.

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

Nordea's risk appetite framework is based on explicit top-down risk appetite statements ensuring the comprehensive coverage of key risks faced by the Group. These statements collectively define the boundaries for Nordea's risk-taking activities and will also help identify areas with scope for additional risk-taking. The statements are approved by the Board of Directors, and set the basis for a new risk reporting structure. Moreover, the framework supports management decision processes such as planning and target setting. This is e.g. achieved through a limit scale with three levels:
- Green: Risk level is well within the defined risk appetite
- Amber: A threshold set as a trigger level for further monitoring, investigation, or analysis
- Red: The limit of the bank's risk appetite

The starting point for defining Nordea's Risk Appetite is the available capital base and overall business strategy. The Risk Appetite framework considers key risks relevant to Nordea's business activities and is at an aggregate level represented in terms of credit risk, market risk, liquidity risk, operational risk, solvency, compliance/non-negotiable risks and liquidity model risk. The Risk Appetite framework is further presented in the Capital and Risk Management Report. 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 in the Nordea Group states that the components of the internal control framework as:

Control environment, risk assessment, control activities, information and communication, and monitoring (including reporting of finding and deficiencies). It creates the necessary preconditions for the whole organisation to contribute to the effectiveness and the high quality of internal control. It is based on clear definitions, assignments of roles and responsibilities, common tools and procedures and is expressed in a common language.

Management of risks includes all activities aimed at identifying, measuring, assessing, monitoring and controlling risks as well as measures to limit and mitigate the consequences of the risks. Management of risk 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. In order to support all employees in managing risks, Nordea has gathered relevant e-learnings, policies and guidelines – in what we call a Licence to work. Licence to Work is a set of stepwise requirements for learning about risk and compliance and shall be renewed every year.

The control environment is, among other things, based on 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 on the development of Risk exposure amount (REA), 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 2016

Additional information on risk and capital management is presented in the Capital and Risk Management Report 2016, 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

Credit Risk Management in 1st LoD is responsible for the credit process framework and Group Risk Management (2nd LoD) is responsible for 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, Internal credit risk limits are approved by decision-making authorities on different levels in the organisation constituting the maximum risk appetite on the customer in question. Individual credit decisions within the approved internal credit risk limit are taken within the customer responsible unit (CRU). 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. From 1.1.2017 representatives from 1st line of defence credit organization independently approve the rating.

Credit risk definition and identification

Credit risk is defined as the potential for loss due to failure of a borrower(s) to meet its obligations to clear a debt in accordance with agreed terms and conditions The potential for loss is lowered by credit risk mitigation techniques. It stems mainly from various forms of lending, but also from issued guarantees and documentary credits. Credit risk includes counterparty credit risk, transfer risk and settlement risk. Credits granted within Nordea shall conform to a common framework. For monitoring the distribution of a portfolio, improving the risk management

Credit Decision-making structure for main operations Countries

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. Limit decisions are taken independent from collateral coverage. 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 servicing or non-servicing. Exposures that have been past due more than 90 days are automatically regarded as non-servicing, and reported as impaired, or not impaired depending on the deemed loss potential.

Forbearance is negotiated terms or restructuring due to the borrower experiencing or about to experience financial difficulties. 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 0.4%, excluding loans and receivables to credit institutions, to NOK 514bn during 2016 (NOK 512bn). This was mainly attributable to an increase in the household of 3% and a decrease in the corporate portfolio by 2%. Including off-balance sheet exposures and exposures related to securities, the total credit risk exposure at year end was NOK 802bn (NOK 768bn). Out of total lending to the public, corporate customers accounted for 48 % (50 %) and household customers 52 % (50 %). Loans to central banks and credit institutions, mainly in the form of inter-bank deposits, increased to NOK 18bn (NOK 14bn) at the end of 2016.

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

NOKm	31 Dec 2016	31 Dec 2015
To credit institutions	**18,499**	**14,131**
To the public	514,137	512,018
- of which corporate	247,333	253,352
- of which household	266,461	258,446
- of which public sector	343	220
Total Loans and Receivables	**532,636**	**526,149**
Off-balance credit exposure [1]	146,028	118,390
Counterparty risk exposure	5,882	15,445
Treasury bills and interest-bearing securities [2]	117,126	107,860
Total credit risk exposure	**801,672**	**767,844**

[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 2016 decreased to NOK 248bn (NOK 254bn). Construction and engineering, Real estate and Shipping and offshore were the sectors that increased the most. While Consumer durables, Industrial commercial services, etc.and Consumer staples (food, agriculture, etc.)were the sectors that decreased the most. Real estate remains the largest sector in NBN's lending portfolio, at NOK 83bn (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 49bn (NOK 47bn). 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. 64% (58%) 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 2016 loans to household customers increased by 3% to NOK 266bn (NOK 258bn). The increase is mainly attributable to a 3% increase in mortgage loans to NOK 253bn (NOK 244bn). Consumer loans decreased to NOK 13.9bn (NOK 14bn). The proportion of mortgage loans of total household loans remained at 95% (95%).

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.

Loans to the public by industry

NOKm	31 Dec 2016
Energy (oil, gas etc.)	8,816
Metals and mining materials	1,273
Paper and forest materials	173
Other materials (building materials, etc.)	4,237
Industrial capital goods	499
Industrial commercial services, etc.	18,087
Construction and engineering	19,468
Shipping and offshore	48,952
Transportation	6,165
Consumer durables (cars, appliances, etc.)	4,080
Media and leisure	3,003
Retail trade	8,901
Consumer staples (food, agriculture, etc.)	14,101
Health care and pharmaceuticals	1,140
Financial institutions	10,543
Real estate	82,549
IT software, hardware and services	1,705
Telecommunication equipment	0
Telecommunication operators	2,416
Utilities (distribution and productions)	10,858
Other, public and organisations	367
Corporate	**247,333**
Household mortgages	252,606
Household consumer	13,855
Public sector	343
Total	**514,137**

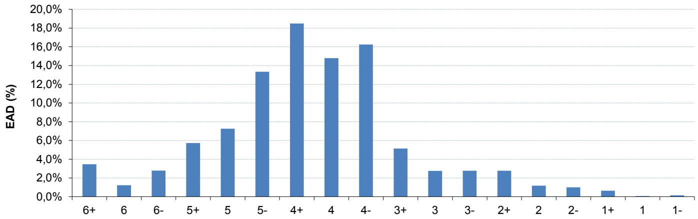
Rating and scoring distribution

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% (83%) of the corporate exposure is rated 4– or higher and the portion of institutional exposure rated 5- or higher is 97% (92%). About 93% (91%) of the retail exposures are scored C- or higher.

Impaired loans

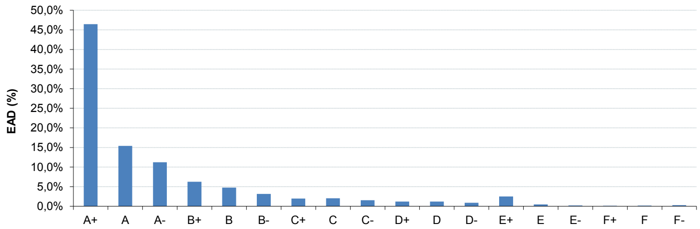
Impaired loans gross in NBN increased during the year to NOK 6,372m from NOK 4,455m, corresponding to 119bp of total loans (84bp). 42% (59%) of impaired loans gross are servicing loans and 58% (41%) are non-servicing loans. Impaired loans net, after allowances for individually assessed impaired loans amounted to NOK 3,741m (NOK 2,303m), corresponding to 70bp of total loans (44bp). Allowances for individually assessed loans increased to NOK 2,631m from NOK 2,152m. Allowances for collectively assessed loans increased to NOK 1,453m from NOK 813m. The provisioning ratio was 76% (56%). The sectors showing the largest increases in impaired loans were Shipping and offshore, Energy (oil, gas etc.) and Industrial commercial services, etc. Past due loans to corporate customers 6 days or more that are not considered impaired decreased to NOK 1,502m (NOK 1,952m).
The volume of past due loans to household customers increased to NOK 5,587m (NOK 5,139m) in 2016.

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 increased to NOK 1,538m in 2016 (NOK 770m). This corresponds to a loan loss ratio of 30bp (15bp). NOK 1,515m relates to corporate customers (NOK 692m) and NOK 24m (NOK 78m) relates to household customers. The main losses were in the corporate sectors: Shipping and offshore, Energy (oil, gas etc.) and Industrial commercial services, etc.

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

NOKm	Impaired Loans, gross	Allowances (individual+ collective)	Provisioning ratio (al-lowances/ impaired loans) "
Energy (oil, gas etc.)	492	319	65 %
Metals and mining materials	271	95	35 %
Paper and forest materials	4	2	45 %
Other materials (building materials, etc.)	112	57	51 %
Industrial capital goods	2	2	73 %
Industrial commercial services, etc.	563	463	82 %
Construction and engineering	212	306	144 %
Shipping and offshore	1,227	978	80 %
Transportation	44	46	106 %
Consumer durables (cars, appliances, etc.)	546	393	72 %
Media and leisure	34	14	41 %
Retail trade	75	71	95 %
Consumer staples (food, agriculture, etc.)	248	135	54 %
Health care and pharmaceuticals	3	6	194 %
Financial institutions	531	361	68 %
Real estate	533	313	59 %
IT software, hardware and services	6	4	71 %
Telecommunication equipment	-	0	0 %
Telecommunication operators	33	62	187 %
Utilities (distribution and productions)	144	131	91 %
Other, public and organisations	-4	6	-150 %
Corporate	5,075	3,762	74 %
Household mortgages	1,110	132	12 %
Household consumer	187	190	102 %
Public sector	-	-	0 %
Total impaired loans	**6,372**		
Allowances		**4,085**	
Provisioning ratio			**64 %**

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 2016 for Nordea Bank Norge was NOK 5,882m (15,445m), of which the current exposure net (after close-out and collateral reduction) represents NOK 895m. 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 in interest rates, credit spreads, FX rates, equity prices, commodity prices and option volatilities. Nordea Markets, Group Treasury & 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 one-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 out of a 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 of 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 1,4m at the end of 2016 (NOK 13m). The total risk is primarily driven by equity risk.

Market risk for the trading book in Nordea Bank Norge, 31 December 2016

NOKm	Mea-sure	31 Dec 2016	2016 high	2016 low	2016 avg	31 Dec 2015
Total Risk	VaR	1.4	3.1	0.1	0.9	13.0
- Interest Rate Risk	VaR	0.5	0.4	-	-	0.1
- Equity Risk	VaR	1.4	3.1	0.1	0.9	13.0
- Foreign Exchange Risk	VaR	-	-	-	-	0.4
Diversification effect		28 %	29 %	0 %	2 %	4 %

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 445m (NOK 266m) and the SIIR for decreasing market rates was NOK -1,003m (NOK -1,084m). These figures imply that net interest income would increase if interest rates rise and decrease if interest rates fall.

Operational risk
Operational risk means the risk of direct or indirect loss, or damaged reputation, resulting from inadequate or failed internal processes, or from people, systems or external events. Regarding own funds requirements for operational risk also covers legal risk and compliance risk. Operational risk is inherent in all activities within the organisation, in outsourced activities and in all interactions with external parties.

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 (GOR), part of Group Risk Management is, in the second line of defence is responsible for developing and maintaining the framework for managing operational risks and for supporting, challenging and controlling the line organisation in their implementation of the framework.

GOR establishes and maintains adequate policies and procedures for operational risk. The Nordea Operational Risk Policy forms part of the risk management and internal control framework and sets out the general principles for operational risk management. Management of operational risks is proactive, emphasising training and risk awareness. 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), scenario analysis and Group level controls, 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 assessing and 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. Upon identification of risks, the estimated impact of risk materialisation is assessed and mitigating actions are identified. 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.

The reporting of the outcomes is done to Group Risk Management (GRM), Group Executive Management (GEM) and the Board of Directors (BOD) or relevant Board committee.

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, through monitoring and other 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 the third line of defence.

In April 2016 the CEO initiated an internal investigation to assess whether the business activities in our Private Banking operations are in line with internal policies as well as external tax rules and anti-money laundering regulations. The investigation covered Panama-related offshore structures in Nordea Bank S.A. in Luxembourg (NBSA) as well as Nordic Private Banking. The investigation did not find evidence that employees have initiated the establishment of offshore structures, nor that they have proactively contributed to customers' potential tax evasion. The investigation however found that many of the reviewed KYC files fall clearly below the standards set forth in the Group's policy. This is mainly related to the so-called enhanced due diligence (EDD) required for high-risk customers. A number of initiatives have been initiated to address the deficiencies.

In June 2015 the Danish Financial Supervisory Authority investigated how Nordea Bank Danmark A/S had followed the regulations regarding anti-money laundering (AML). The outcome has resulted in criticism and the matter was, in accordance with Danish administrative practice, handed over to the police for further handling and possible sanctions.

To address the deficiencies highlighted by the Swedish FSA last spring, and the similar deficiencies highlighted by the Danish FSA, the bank established a Financial Crime Change Programme in 2015 with the goal of ensuring robust group wide frameworks, policies, standards and processes. The Group has invested in a significant increase in resources to improve its financial crime risk management capability since then and is making good progress in progressively embedding the revised approach.

The Business Ethics and Values Committee were established at the end of 2015 to oversee that Nordea runs its business in a responsible manner and in line with our values and ethical standards. In order to strengthen the corporate culture within the Group, a culture transformation programme has been initiated in Q3 2016 involving all the employees of the Group.

The supervisory authorities have during 2016 conducted ongoing investigations with regards to Nordea's compliance in several areas, e.g. investment advice, AML and governance and control. The outcome of some investigations is pending and it cannot be excluded that these investigations could lead to criticism or sanctions. In addition to the Financial Crime Change programme, the bank is investing more generally in enhanced compliance standards, processes and resources. Nordea has developed a revised compliance operating model, accelerated recruitment and introduced dedicated first line compliance and operational risk support units.

Liquidity risk

Management principles and control

Group Treasury & ALM (TALM) 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. TALM, as the 1st LoD, develops the liquidity management and risk frameworks, which consist of policies, instructions and guidelines as well as defines the principles for pricing liquidity risk. Group Market and Counterparty Credit Risk, as an independent 2nd LoD, reviews the policies and frameworks and executes control over the liquidity management. 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 three 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 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 TALM 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 until March 2016 expressed the excess liquidity after a 30-day period without access to market funding. In April 2016 the period was prolonged to 90 days. The Board of Directors has set a limit for minimum survival without access to market funding for a 90 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 2016. The average funding gap risk, i.e. the average expected need for raising liquidity in the course of the next 30 days, was NOK -11.2bn (NOK -1.6bn). Nordea Bank Norge liquidity buffer range was NOK 84.0–111.7bn (NOK 89.6 –106.8bn) throughout 2016 with an average buffer size of NOK 98.6bn (NOK 97.7bn). Nordea Bank Norge liquidity buffer is highly liquid, consisting of only central bank eligible securities held by TALM. Survival horizon was in the range of NOK 4.5 –117.5bn (NOK 91.0 –163.5bn) throughout 2016 with an average of NOK 58.4bn (NOK 116.4bn). The yearly average for the net balance of stable funding was NOK -0.2bn (NOK 12bn). The Liquidity Coverage Ratio (LCR) according to EBA Delegated Act was 172% at the end of the year. For Nordea Bank Norway Group combined LCR, as specified by Delegated Act, was 172%, NOK LCR 84%, EUR 187% and USD 1151%. For Nordea Bank Norge ASA combined LCR was 205%, NOK LCR 93%, EUR LCR 187% and USD LCR 1151%. 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 91,8% of its credit risk REA covered by internal rating based (IRB) approaches by the end of 2016.

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.

If the CET1 capital level fall below the CET1 capital requirement of NOK 52,791m (sum of pillar 1 capital requirements of NOK 16,155m, combined buffers requirements of NOK 31,239m and pillar 2 add-ons of NOK 5,388m), NBN is required to inform Finanstilsynet and present a plan to restore capital levels. In addition, if CET1 capital falls below capital requirements before pillar 2 add-ons, NOK 47,403m, restrictions on maximal distributable amount (MDA) , share buybacks, remuneration, payments on AT1 instruments will come into force. Restrictions become stricter the farther the CET1 capital level fall, shows the MDA % for different levels of CET1. Nordea Bank Norge have a CET1 of NOK 61,078m and is well above the level requiring actions and well above the upper level for being restricted by MDA. However, due to a prudential capital policy Nordea Bank Norge has proposed a 0% dividend ratio in 2016.

Maximum Distributable Amounts Nordea Bank Norge, NOKm

NOKm	Lower boundary	Upper boundary	MDA
Fourth quartile	39,589	47,403	60 %
Third quartile	31,784	39,589	40 %
Second quartile	23,970	31,784	20 %
First quartile	16,155	23,970	0 %

Minimum capital requirement and REA

	31 Dec 2016		31 Dec 2015	
NOKm	Minimum Capital require-ment	REA	Minimum Capital require-ment	REA
Credit risk	**14,390**	**179,875**	**15,342**	**191,783**
-of which counterparty credit risk	94	1,171	239	2,986
IRB	13,208	165,097	13,986	174,827
- of which corporate	9,888	123,596	10,196	127,454
- of which advanced	9,219	115,230	9,626	120,328
- of which foundation	669	8,366	570	7,126
- of which institutions	399	4,993	612	7,646
- of which retail	2,669	33,358	2,932	36,646
- of which secured by immovable property	2,069	25,866	2,226	27,827
- of which other retail	600	7,492	706	8,819
- of which other	252	3,150	246	3,081
Standardised	1,182	14,778	1,356	16,956
- of which central governments or central banks	0	1	0	1
- of which regional governments or local authorities	17	214	21	265
- of which public sector entities	0	5	1	13
- of which multilateral development banks	-	-	-	-
- of which international organisations	-	-	-	-
- of which institutions	372	4,648	584	7,303
- of which corporate	19	234	8	104
- of which retail	547	6,838	514	6,422
- of which secured by mortgages on immovable property	-	-	-	-
- of which in default	3	41	5	57
- of which associated with particularly high risk	-	-	-	-
- of which covered bonds	-	-	-	-
- of which institutions and corporates with a short-term credit assessment	-	-	-	-
- of which collective investments undertakings (CIU)	-	-	-	-
- of which equity	40	495	62	774
- of which other items	184	2,302	161	2,017
Credit Value Adjustment Risk	**28**	**348**	**56**	**690**
Market risk	**27**	**339**	**272**	**3,405**
- of which trading book, Internal Approach	23	293	239	2,990
- of which trading book, Standardised Approach	4	46	33	415
- of which banking book, Standardised Approach	-	-		
Operational risk	**1,894**	**23,671**	**1,826**	**22,822**
Standardised	1,894	23,671	1,826	22,822
Additional risk exposure amount due to Article 3 CRR	**74**	**930**	**145**	**1,809**
Sub total	**16,413**	**205,163**	**17,641**	**220,509**
Adjustment for Basel I floor				
Additional capital requirement according to Basel I floor	12,313	153,918	10,697	133,718
Total	**28,726**	**359,081**	**28,338**	**354,227**

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. Regulatory buffers were introduced since the implementation of the CRDIV/CRR rules.

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 2016 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.

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

NOKm	31 Dec 2016	31 Dec 2015
Calculation of own funds		
Equity in the consolidated situation	61,658	56,731
Proposed/actual dividend	-	-
Common Equity Tier 1 capital before regulatory adjustments	61,658	56,731
Deferred tax assets	**-**	**-**
Intangible assets	-127	-118
IRB provisions shortfall (-)	-46	-330
Deduction for investments in credit institutions (50%)	**-**	**-**
Pension assets in excess of related liabilities	-	-
Other items, net	-407	-609
Total regulatory adjustments to Common Equity Tier 1 capital	-580	-1,057
Common Equity Tier 1 capital (net after deduction)	**61,078**	**55,674**
Additional Tier 1 capital before regulatory adjustments	4,398	4,677
Total regulatory adjustments to Additional Tier 1 capital	-	-
Additional Tier 1 capital	4,398	4,677
Tier 1 capital (net after deduction)	**65,476**	**60,351**
Tier 2 capital before regulatory adjustments	4,741	4,852
IRB provisions excess (+)/shortfall (-)	**453**	-
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	453	-
Tier 2 capital	5,194	4,852
Own funds (net after deduction)[2]	**70,670**	**65,203**

[1] Including profit of the period.
[2] Own funds adjusted for IRB provision, i.e. adjusted own funds equal 70 263 NOKm by 31 Dec 2016.

Key capital adequacy ratios in Nordea Bank Norge group

	31 Dec 2016[1]	31 Dec 2015[1]
Excl. Basel 1 floor		
CET1 capital ratio (%)	29,8	25,2
Tier 1 capital ratio (%)	31,9	27,4
Total capital ratio (%)	34,4	29,6
Capital adequacy quotient (own funds/capital requirement)	4,3	3,7
Incl. Basel 1 floor		
CET1 capital ratio (%)	17,0	15,7
Tier 1 capital ratio (%)	18,2	17,0
Total capital ratio (%)	19,7	18,4
Capital adequacy quotient (own funds/capital requirment)	2,5	2,3

[1] Including profit of the period.

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.

In Norway, the CRD IV/CRR and associated regulatory standards are not yet incorporated in the EEA agreement. On 30 September 2016, 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 Norway in the future can incorporate the CRD IV/CRR as well as other important EU regulatory frameworks.

The main provisions from the CRD IV/CRR rules have been introduced in the Norwegian regulation as well as national regulations. A major deviation from CRD IV/CRR is that the Basel I floor related to REA is not removed and that the capital reduction towards the SME segment is not implemented, as well as several other technical calculation rules. The minimum capital requirements are however 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 CCoB of 2.5% and a SRB of 3% apply. The current CCyB of 1,5% will be increased to 2% from 31 December 2017. Furthermore, Nordea Bank Norge is considered as a systemically important institution and must therefore hold an additional buffer which was increased from 1% to 2% from 1 July 2016

Proposal on amended CRR, CRD IV and BRRD
In November 2016 the European Commission (EC) published a proposal amending the BRRD, the CRD IV and the CRR. The amendments to the CRR, being a regulation, will be directly applicable in all EU countries once implemented whereas the amendments to the CRD IV and BRRD, being directives, needs to be implemented into national legislation before being applicable. The time for implementation is uncertain given the upcoming negotiations but it is stated that the amendments will start entering into force in 2019 at the earliest, with some parts being implemented later and subject to phase-in. Some of the main amendments include:

TLAC / MREL
The EC proposes to implement the Financial Stability Board (FSB) Total Loss Absorbing Capacity (TLAC) standard, building on the existing framework of the BRRD which includes the Minimum Requirement for own funds and Eligible Liabilities (MREL). TLAC requires Global Systemically Important Banks (G-SIBs), referred to as G-SIIs in EU legislation, to have a sufficient amount of highly loss absorbing ("bailinable") liabilities to ensure smooth and fast absorption of losses and recapitalisation in resolution.The purpose of MREL is to achieve the same objective as for the TLAC standard, although it is technically different from the TLAC standard and is applied for both G-SIIs and non G-SII institutions in EU.

In November 2016, the existing MREL framework in the current BRRD was proposed to be amended. According to the proposal, both G-SIIs and non G-SII should meet the so-called firm specific MREL requirement decided by the resolution authorities. The requirement should not exceed the sum of loss absorption amount and recapitalisation amount, both of which are determined by the minimum capital requirement of 8% and Pillar II capital requirement. In order to make it possible for banks to issue eligible instruments in a cost efficient and harmonised way, the EC proposed in November 2016 to introduce a new insolvency hierarchy for non-preferred senior debt.

Pillar II
The proposal introduces a split of Pillar II add-ons into Pillar II Requirements (P2R) and Pillar II Guidance (P2G), where the P2R will increase the Maximum distributable amount (MDA) level while the P2G is a soft measure that does not affect the MDA level.

NSFR
The EC proposes to introduce a binding NSFR that requires institutions to finance their long-term activities (assets and off-balance sheet items) with stable funding. The NSFR proposal aligns NSFR governance, compliance and supervisory actions with the EU Liquidity Coverage Ratio (LCR) requirement.

Leverage ratio
The proposal introduces a binding leverage ratio requirement of 3 % of tier 1, harmonised with the

international Basel Committee on Banking Supervision (BCBS) standard.

Market risk
In January 2016, the BCBS concluded its work on the fundamental review of the trading book (FRTB) and published a new standard on the treatment of market risk. The amendments to the CRR incorporates the FRTB rules into EU regulation with some adjustments, such as postponing the implementation to 2021 and including a three year phase-in period. The key features of the framework includes a revised boundary for trading book and non-trading book (banking book) exposures, a revised internal model approach and a revised standardised approach.

Small and medium-sized enterprices (SME) supporting factor
The EC proposal includes an extended SME supporting factor. The current SME supporting factor provides a capital reduction of 23,81% for exposures up to EUR 1.5 million towards SMEs. The proposal extends this discount with an additional 15% reduction for the part above the EUR 1.5 million threshold, intended to further stimulate the lending to SMEs.

Revisions to the Basel III capital framework ("Basel IV")
Basel III is a global, regulatory framework on bank capital adequacy, stress testing, and liquidity risk. It was agreed upon by the members of the Basel Committee on Banking Supervision (BCBS) in 2010–11, however some parts are yet to be finalised. More specifically, the BCBS have proposed to introduce a capital floor and revisions to the standardised and IRB approach for credit risk, leverage ratio and operational risk.

The proposed revision to the IRB approach, published in March 2016, include restrictions to the use of IRB approach for certain exposures, such as exposures towards institutions and large corporates, as well as introducing model-parameter floors. The revised standardised approach proposes to base the risk weights on risk drivers and external ratings. Moreover, the BCBS proposal is that the capital floor should be based on the revised standardised approaches for credit-, market- and operational risks. There are also ongoing discussions in the BCBS regarding a potential leverage ratio buffer for G-SIBs.
On 3 January 2017, the BCBS announced that they are working to finalise its reforms and expect to complete its work in the near future.

Regulatory treatment of IFRS 9
In addition to the revised framework, the BCBS on 11 October 2016, published a discussion paper and a consultative document on the policy considerations associated to the regulatory treatment of accounting provisions related to IFRS 9 under the Basel III regulatory capital framework. The discussion paper presents proposals on a revised long-term regulatory treatment of provisions to be applied once the revisions to the SA and IRB approach become applicable. IFRS 9 enters into force in 2018 and the BCBS proposal is, during an interim period, to retain the current regulatory treatment of provisions as applied under both the SA and IRB approach to allow thorough consideration of the longer-term options for the regulatory treatment of provisions.

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.

A clear and transparent organisational structure is of importance for the control environment. Nordea's business structure aims to support the overall strategy, ensuring strong business momentum and meeting increased requirements on capital and liquidity. The business and the organisation 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 are responsible for the risk management activities. A risk management function supports the CFO in maintaining a Group wide set of controls, in Nordea defined as Accounting Key Control (AKC), 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 and Control (GRMC). In addition, the internal audit function provides the Group Board with an assessment of the overall effectiveness of the governance, risk management and control processes.

Risk Assessment

The Board of Directors bears ultimate responsibility for limiting and monitoring Nordea's risk exposure. Risk management is considered to be an integral part of running the business and 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, control functions stipulate in governing documents when and how these assessments are to be performed. Examples of risk assessments, performed at least annually, are the Quality and Risk Analysis for changes and Risk and Control Self-Assessments.

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 Accounting Key Control (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 AKC control structure is based on Transaction Level Controls (TLC) that are identified through analysing risks based on high level processes with an end-to-end product focus. After deciding on the TLCs an analysis is performed to determine what systems/applications are in scope for AKC where specific IT General Controls are governed. The analysis aims at scoping in the major systems where there is a risk that data, that is not detected in the TLC control structure, could become corrupt.

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 & Business Control is 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 from Group Finance & Business Control continuously provide accountants and controllers with information on changes in order to inform of existing and updated rules and regulations with an impact on Nordea.

Nordea interacts with relevant subject-matter experts to ensure fulfilment of financial reporting objectives. Nordea actively participates in relevant national forums, for example forums established by the Financial Supervisory Authorities, Central Banks and associations for financial institutions.

The Accounting Key Control (AKC) reporting procedures provide management at different levels in the organisation with information related to the performance and assessment of the identified AKCs in the form of Process Owner reports and Management Dashboard reports with a summarisedf assessment of the outcome and any high risk areas.

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 Risk and Control Self-Assessment process includes monitoring the quality of internal control for financial reporting. The assessment is presented in the annual Group Operational and Compliance Risk Map, which is submitted to the CEO in the Group Executive Management, the Board Risk Committee and the Board of Directors.

Group Finance & Business Control has also established specific quarterly Internal Control over Financial Reporting to the Group CFO covering risk management and high risk areas. The independent risk control function within GRM reports specifically on financial reporting risk to the Board Audit Committee and the CEO in the Group Executive Management on a quarterly basis.

According to Norwegian law Nordea is required to have an external auditor. At the Annual General Meeting 2015 PricewaterhouseCoopers AS was elected as auditor.

Articles of association governing the board of directors

Section 3-3b of the Norwegian Accounting act (regnskapsloven) requires disclosure of the articles of association determining the composition and replacement of the board.

According to NBN's Articles of association, its board of directors is to consist of 3 - 5 board directors elected by the annual general meeting. At least one fourth of the board directors must be external persons not holding any positions of trust or being employed in the bank. One of the elected board directors must be an employee in the bank. For this board director one deputy is to be elected with the right to attend and speak at board meetings, provided that the deputy only attends when the board member is absent. The chairperson and deputy chairperson of the board are to be elected by separate ballots. The board directors are elected for two years at the time. In case of by-elections, a board director may be elected for a shorter term. According to section 6-11a of the Norwegian Public Limited Companies Act (allmennaksjeloven), both genders must be represented. This provision does not apply to the board member or deputy to be elected among the employees. The deputy is elected for two years at the time. If an elected board director retires before the expiry of the term and the number of board directors thereby becomes fewer than 3, a new board director must be elected for the remaining period as soon as possible.

More information

More information about corporate governance, internal control and risk management is given in Nordea Bank AB (publ)'s annual report for 2016.

People

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 2016, the ESI response rate was 94% (92%), indicating a strong commitment to operational improvement. NBN scored 71 (70) out of 100 points on Satisfaction and Motivation for 2016. 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. In addition to the Talent Management process, Nordea held a separate Norwegian talent programme for younger employees in 2016.

A company with many possibilities

Mobility is key for competence development. We advertise our vacancies internally and strive to find candidates among our colleagues as well as running internal career days on a country-wise basis. Nordea's Graduate Programme plays an important role in bringing new talents to the bank. The programme is in high demand and serves as a sign of our ability to attract some of the best young talents. The current graduate programme has been running for 15 years, with more than 100 participants in NBN so far. Eighteen candidates started in 2016.

Equal opportunities

Gender diversity is a challenge in many industries, as well as the society as a whole. Close to 47 % (46%) of the full-time employees at NBN are women. The share of females with personnel responsibility is 39%. 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 592,500 (581,000) and NOK 706,000 (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 2,718 (2,676) at the end of 2016. This represents 2,528 (2,460) FTEs. NBN recruited a total of 216 (170) people in 2016, 104 (72) of whom were female and 112 (98) of whom were male. The average age of the new employees was 31 (31) in 2016.

Sick leave

Sick leave amounted to 27,845 (26,845) days in 2016, equivalent to 3.99% (3.98%), 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.

There are no reports of personnel injuries (work related) as caused by accidents or other incidents in NBN in 2016. NBN had no robberies in 2016. There have also been made changes to operational procedure in order to reduce the risk of future robberies, and NBN no longer has 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, 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 and environmental concerns

Integrating sustainability in our core operations

In 2015, Nordea launched a new proactive sustainability strategy. This work has continued during 2016 to create a stable base with firm governance, clear policies and guidelines along with a strengthened ethical business culture. Building on many years of managing the sustainability initiatives within our own operations, this new strategy aims to go further and includes a new set on short- mid and long- term goals, which reflect the outcome of our materiality analysis carried out during the fall of 2016.

Enhanced sustainability governance is key in this new strategy and this was illustrated by the recruitment of new Heads for Sustainability, Compliance and a Chief People Officer during the year.

Our commitments and policies

Nordea's core sustainability 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 2016, the Code of Conduct has been updated to better reflect the top priorities and expectations from our stakeholders, based on the result of the materiality analysis carried out during the year.

During 2016 we have further 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. Besides the appointment of our new Head of Compliance, we have rolled out our "Roadmap to Compliance" programme, with training on culture, compliance and communication in all Nordic capitals, which creates conscious risk managers throughout the entire organisation. 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 Financial Crime Change Programme (FCCP) established in 2015 focuses on the development of sustainable operating processes and has a board mandate to drive group-wide activities to prevent financial crime. The FCCP is part of Nordea's efforts to develop an even stronger compliance culture which protects our customers, our bank and our society. The FCCP is being followed up on a regular basis in relation to governance, KYC, sanctions compliance, transaction monitoring along with financial crime intelligence and analytics. This continuous process has been accompanied with the appointment of a new Head of Financial Crime within Group Compliance and increased investment to ensure adequate resources in the area.

Our credit framework builds on the Nordea Sustainability Policy. In 2016 we continued to develop a sophisticated tool to help us evaluate the ESG (Environmental, Social and Governance) risks among our corporate customer portfolio. We have now initiated the implementation of the ESG tool to be used as part of our regular credit review process. For corporate customers in Commercial and Business Banking, pre-screening questions are integrated into our Know Your Customer evaluation.

Nordea is a signatory to the Equator Principles (EP): a global, voluntary standard for commercial lenders. In project finance at Nordea we follow the Equator Principles and ESG experts are involved throughout the process. The Equator Principles Advisory Board has senior members from the business, credit and sustainability organisation and recommends and categorises the projects. The documentation typically includes due diligence follow-up and expert reviews.
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.

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 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. We are continuously monitoring and following up on potential risks within our supply chain, particularly regarding high-risk suppliers.

Our People Agenda lays out our responsibility for ensuring that employees are treated fairly 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 want our people to come to work every day united by a strong culture, with strong desire and the freedom to perform at their best. We call this our 'Cultural Journey'. Our People Agenda plays a significant role in this journey, aiming at strengthening capacity and creating a positive, inclusive work culture across our entire organisation.

Environmental impact

In 2015 we adopted a more robust position on climate change, which we have consolidated during 2016. 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.

The World Economic Forum's Global Risks Report 2016 ranks failure of climate change mitigation and adaptation as the highest global risk in terms of impact. At Nordea we hold a strong position on climate change. In September, Nordea was one of 130 investors that signed a letter calling on G20 to take steps to meet the Paris Agreement. Nordea Asset Management also participated in COP22.

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). Each quarter, we monitor and report progress on our environmental indicators, and we report on emissions annually. As our current environmental targets reached their endpoint in 2016, we will be setting new science based targets during 2017.

Nordea recognises the importance of acting on climate change. We acknowledge the recommendations from the Swedish SFI/Finansinspektionen on the relevance of climate risk and carbon risk to financial regulators, expressed in various reports during 2016. These recommendations apply for our business in all operational countries, including Norway. We will continue to closely monitor climate and environmental concerns in our long-term risk management approach in the years to come.

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

Outlook 2017

For 2017 NBN expects another challenging year. We will operate in an economic environment with great insecurity, with low growth and low interest rates.

However, we have good progress in building the bank our customers want us to be. We are continuing doing large investments in transforming the bank. Our number one priority the coming years will be on improving customer satisfaction. Generating value for our customers is the key to creating value for Nordea and its shareholders. To continue to deliver stable results to our shareholders we will be committed to build more resilience and stronger ability to continuously renew the way we are operating the bank.

Nordea Bank AB (publ)[1]
3 February 2017

Björn Wahlroos
Chairman

Marie Ehrling Vice Chairman	Tom Knutzen Board member	Robin Lawther Board member
Toni H. Madsen Board Member[2]	Lars G Nordström Board member	Gerhard Olsson Board Member[2]
Hans Christian Riise Board Member[2]	Sarah Russell Board member	Silvija Seres Board member
Kari Stadigh Board member	Birger Steen Board member	

Casper von Koskull
President and Group CEO

[1] CEO and Board of Directors in Nordea Bank AB (publ), surviving entity after the merger between Nordea Bank Norge ASA and Nordea Bank AB (publ) effective as of 2 January 2017

[2] Employee representative

Financial statements - contents

Nordea Bank Norge

Income statements

NOKm	Note	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Operating income					
Interest income		16,456	17,591	13,041	13,820
Interest expense		-7,128	-8,257	-5,688	-6,804
Net interest income	3	**9,328**	**9,334**	**7,353**	**7,016**
Fee and commission income		3,400	3,482	3,229	3,314
Fee and commission expense		-649	-882	-641	-871
Net fee and commission income	4	**2,751**	**2,600**	**2,588**	**2,443**
Net result from items at fair value	5	488	402	500	406
Profit/-loss from associated undertakings accounted for under the equity method	19	7	257	10	8
Dividends and group contribution	6	0	0	1,430	1,800
Other operating income	7	230	236	618	317
Total operating income		**12,804**	**12,829**	**12,499**	**11,990**
Operating expenses					
General administrative expenses:					
Staff costs	8	-2,241	-3,289	-2,100	-3,116
Other expenses	9	-1,998	-1,940	-1,918	-1,796
Depreciation, amortisation and impairment charges of tangible and intangible assets	10, 20, 21	-144	-135	-80	-79
Total operating expenses		**-4,383**	**-5,364**	**-4,098**	**-4,991**
Profit before loan losses		**8,421**	**7,465**	**8,401**	**6,999**
Net loan losses	11	-1,538	-770	-1,494	-709
Operating profit		**6,883**	**6,695**	**6,907**	**6,290**
Income tax expense	12	-1,666	-1,572	-1,713	-1,558
Net profit for the year		**5,217**	**5,123**	**5,194**	**4,732**
Attributable to:					
Shareholder of Nordea Bank Norge ASA		5,217	5,123	5,194	4,732
Total		**5,217**	**5,123**	**5,194**	**4,732**
Basic/diluted earnings per share, NOK		9.46	9.29	9.42	8.58

Statements of comprehensive income

NOKm	Note	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Net profit for the year		**5,217**	**5,123**	**5,194**	**4,732**
Items that may be reclassified subsequently to the income statement					
Available-for-sale investments[1]:	17				
Valuation gains/losses during the year		476	-504	476	-504
Tax on valuation gains/losses during the year		-119	126	-119	126
Transferred to the income statement		-45	-19	-45	-19
Tax on transfers to the income statement		11	5	11	5
Cash flow hedges:	17				
Valuation gains/losses during the year		-6,827	3,295	-737	942
Tax on valuation gains/losses during the year		1,707	-822	184	-236
Transferred to the income statement		6,625	-3,160	674	-733
Tax on transfers to the income statement		-1,656	790	-169	183
Items that may not be reclassified subsequently to the income statement					
Defined benefit plans:	32				
Remeasurement of defined benefit plans		-548	913	-500	886
Tax on remeasurement of defined benefit plans		137	-225	125	-218
Other comprehensive income from equity accounted investments		3	0	0	0
Other comprehensive income, net of tax		**-236**	**399**	**-100**	**432**
Total comprehensive income		**4,981**	**5,522**	**5,094**	**5,164**
Attributable to:					
Shareholders of Nordea Bank AB (publ)		4,981	5,522	5,094	5,164
Total		**4,981**	**5,522**	**5,094**	**5,164**

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

Nordea Bank AB (publ)[1]
3 February 2017

Björn Wahlroos
Chairman

Marie Ehrling
Vice Chairman

Tom Knutzen
Board member

Robin Lawther
Board member

Toni H. Madsen
Board Member[2]

Lars G Nordström
Board member

Gerhard Olsson
Board Member[2]

Hans Christian Riise
Board Member[2]

Sarah Russell
Board member

Silvija Seres
Board member

Kari Stadigh
Board member

Birger Steen
Board member

Casper von Koskull
President and Group CEO

[1] CEO and Board of Directors in Nordea Bank AB (publ), surviving entity after the merger between Nordea Bank Norge ASA and Nordea Bank AB (publ) effective as of of 2 January 2017

[2] Employee representative

Nordea Bank Norge

Balance sheets

		Group		Parent company	
NOKm	Note	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Assets					
Cash and balances with central banks		8,815	6,860	8,815	6,860
Loans to central banks and credit institutions	13	18,499	14,131	53,491	54,668
Loans to the public	13	514,137	512,018	382,181	381,338
Interest-bearing securities	14	116,070	107,860	110,312	107,525
Financial instruments pledged as collateral	15	1,055	75	1,055	75
Shares	16	182	413	179	410
Derivatives	17	4,561	11,612	5,037	11,885
Fair value changes of the hedged items in portfolio hedge of interest rate risk		229	473	200	409
Investments in group undertakings	18	0	0	10,271	7,218
Investments in associated undertakings	19	1,756	1,751	417	417
Intangible assets	20	168	159	71	82
Properties and equipment	21	812	1,232	404	489
Investment properties	23	6	55	1	1
Retirement benefit assets	32	43	0	43	0
Other assets	24	1,317	1,857	1,261	1,566
Prepaid expenses and accrued income	25	1,791	1,946	994	1,051
Total assets		**669,441**	**660,442**	**574,732**	**573,994**
Liabilities					
Deposits by credit institutions	26	248,494	245,461	248,507	245,516
Deposits and borrowings from the public	27	239,332	240,430	239,455	240,525
Debt securities in issue	28	93,256	90,759	9,004	9,131
Derivatives	17	2,879	1,622	3,174	8,456
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,063	1,625	11	19
Current tax liabilities		2,731	359	2,461	0
Other liabilities	29	4,066	6,112	4,131	6,115
Accrued expenses and prepaid income	30	1,723	1,891	947	1,027
Deferred tax liabilities	12	2,415	3,194	1,706	2,468
Provisions	31	219	304	215	303
Retirement benefit obligations	32	1,184	1,416	1,126	1,369
Subordinated liabilities	33	10,459	10,625	10,459	10,625
Total liabilities		**607,821**	**603,798**	**521,196**	**525,554**
Equity					
Share capital		4,962	4,962	4,962	4,962
Share premium reserve		8,850	8,850	8,850	8,850
Other reserves		534	771	624	723
Retained earnings		47,274	42,061	39,100	33,905
Total equity		**61,620**	**56,644**	**53,536**	**48,440**
Total liabilities and equity		**669,441**	**660,442**	**574,732**	**573,994**
Assets pledged as security for own liabilities	34	165,383	179,714	66,859	82,893
Contingent liabilities	35	2,054	2,166	7,278	7,232
Commitments	36	146,028	118,390	223,714	191,352

Statement of changes in equity

Group

NOKm	Note	Share capital[1]	Share Premium	Other reserves: Cash flow hedges	Other reserves: Available-for-sale investments	Other reserves: Defined benefit plans	Retained earnings	Total
Balance at 1 Jan 2016		**4,962**	**8,850**	**191**	**-214**	**793**	**42,061**	**56,644**
Net profit for the year							5,217	5,217
Items that may be reclassified subsequently to the income statement								
Available-for-sale investments:	17							
Valuation gains/losses during the year					476			476
Tax on valuation gains/losses during the year					-119			-119
Transferred to profit or loss on sale for the year					-45			-45
Tax on transfers to profit or loss on sale for the year					11			11
Cash flow hedges:	17							
Valuation gains/losses during the year				-6,827				-6,827
Tax on valuation gains/losses during the year				1,707				1,707
Transferred to profit or loss for the year				6,625				6,625
Tax on transfers to profit or loss for the year				-1,656				-1,656
Items that may not be reclassified subsequently to the income statement								
Defined benefit plans:	32							
Remeasurement of defined benefit plans						-548		-548
Tax on remeasurement of defined benefit plans						137		137
Other comprehensive income from equity accounted investments						3		3
Other comprehensive income, net of tax		0	0	-151	323	-408	0	-236
Total comprehensive income		0	0	-151	323	-408	5,217	4,981
Other changes		0	0	0	0	0	-4	-4
Balance at 31 Dec 2016		**4,962**	**8,850**	**40**	**109**	**385**	**47,274**	**61,620**

NOKm	Note	Share capital[1]	Share Premium	Other reserves: Cash flow hedges	Other reserves: Available-for-sale investments	Other reserves: 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	5,448					6,000
Share-based payments[2]							1	1
Other changes							1	1
Balance at 31 Dec 2015		**4,962**	**8,850**	**191**	**-214**	**793**	**42,061**	**56,644**

[1]The share capital is NOK 4,962m (31 Dec 2015: NOK 4,962m) consisting of 551,358,576 shares at par value of NOK 9.00

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

Statement of changes in equity

Parent company

NOKm	Note	Share capital[1]	Share Premium	Other reserves: Cash flow hedges	Other reserves: Available-for-sale investments	Other reserves: Defined benefit plans	Retained earnings	Total
Balance at 1 Jan 2016		**4,962**	**8,850**	**146**	**-214**	**791**	**33,905**	**48,440**
Net profit for the year							5,194	5,194
Items that may be reclassified subsequently to the income statement								
Available-for-sale investments:	17							
Valuation gains/losses during the year					476			476
Tax on valuation gains/losses during the year					-119			-119
Transferred to profit or loss on sale for the year					-45			-45
Tax on transfers to profit or loss on sale for the year					11			11
Cash flow hedges:	17							
Valuation gains/losses during the year				-737				-737
Tax on valuation gains/losses during the year				184				184
Transferred to profit or loss for the year				674				674
Tax on transfers to profit or loss for the year				-169				-169
Items that may not be reclassified subsequently to the income statement								
Defined benefit plans:	32							
Remeasurement of defined benefit plans						-500		-500
Tax on remeasurement of defined benefit plans						125		125
Other comprehensive income, net of tax		0	0	-48	324	-375	0	-100
Total comprehensive income		0	0	-48	324	-375	5,194	5,094
Other changes		0	0	0	0	0	1	1
Balance at 31 Dec 2016		**4,962**	**8,850**	**98**	**110**	**416**	**39,100**	**53,536**

NOKm	Note	Share capital[1]	Share Premium	Other reserves: Cash flow hedges	Other reserves: Available-for-sale investments	Other reserves: 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**

[1]The share capital is NOK 4,962m (31 Dec 2015: NOK 4,962m) consisting of 551,358,576 shares at par value of NOK 9.00

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

Cash flow statements

NOKm	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Operating activities				
Operating profit	6,883	6,695	5,477	6,290
Adjustments for items not included in cash flow	1,076	2,222	2,149	1,842
Income taxes paid	-5	-1,425	-5	-896
Cash flow from operating activities before changes in operating assets and liabilities	**7,954**	**7,491**	**7,622**	**7,236**
Changes in operating assets				
Change in loans to central banks and credit institutions	-5,169	3,690	382	-574
Change in loans to the public	-3,721	-12,930	-2,387	-19,657
Change in interest-bearing securities	-11,765	-16,663	-6,342	-5,168
Change in financial assets pledged as collateral	75	1,316	75	1,316
Change in shares	216	41	216	41
Change in derivatives, net	8,349	151	2,263	2,467
Change in investment property	49	10	0	0
Change in other assets	368	16,939	138	17,112
Changes in operating liabilities				
Change in deposits by credit institutions	3,032	6,408	2,991	6,379
Change in deposits and borrowings from the public	-1,098	3,676	-1,069	3,616
Change in debt securities in issue	2,497	6,096	-127	4,449
Change in other liabilities	-2,087	-17,767	-1,985	-17,744
Cash flow from operating activities	**-1,299**	**-1,542**	**1,777**	**-526**
Investing activities				
Sale of business operations	0	56	0	65
Liquidation/investment of group undertakings	0	0	-3,053	-1,414
Sale of property and equipment	77	73	2	5
Acquisition of intangible assets	-26	-30	-6	-15
Divestments / investments in debt securities, held to maturity	2,499	375	2,499	375
Purchase/sale of other financial fixed assets	-24	-456	13	-14
Cash flow from investing activities	**2,527**	**19**	**-545**	**-997**
Financing activities				
Increase in par value and share premium	0	6,000	0	6,000
Cash flow from financing activities	**0**	**6,000**	**0**	**6,000**
Cash flow for the year	**1,227**	**4,477**	**1,232**	**4,476**
Cash and cash equivalents at the beginning of year	**19,902**	**15,425**	**19,896**	**15,420**
Translation difference	0	0	0	0
Cash and cash equivalents at the end of year	**21,129**	**19,902**	**21,128**	**19,896**
Change	**1,227**	**4,477**	**1,232**	**4,476**

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	2016	2015	2016	2015
Depreciation	141	130	78	75
Impairments charges	2	5	2	5
Profit/-loss from the companies accounted for under the equity method	-7	-257	0	0
Loan losses	1,602	833	1,545	764
Unrealised gains/losses	90	228	-610	103
Capital gains/losses (net)	-60	-115	7	-65
Change in accruals and provisions	6	808	47	274
Other	-698	589	1,080	687
Total	**1,076**	**2,222**	**2,149**	**1,842**

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	2016	2015	2016	2015
Interest payments received	16,441	17,797	13,017	13,972
Interest expenses paid	7,136	8,339	5,696	6,886

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	2016	2015	2016	2016
Cash and balances with central banks	8,815	6,860	8,815	6,860
Loans to credit institutions, payable on demand	12,314	13,042	12,314	13,037
	21,129	**19,902**	**21,128**	**19,896**

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 Annual Accounts Act have 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 3 February 2017 the Board of Directors approved the financial statements, subject to final approval of the Annual General Meeting on 24 February 2017.

2. 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. The new accounting requirements implemented during 2016 and their effects on NBN's financial statements are described below.

The following new and amended standards and interpretations were implemented by NBN 1 January 2016 but have not had any significant impact on the financial statements of NBN:

- Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment entities – Applying the Consolidation Exception"
- Amendments to IAS 1"Disclosures Initiative"
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Annual Improvements to IFRSs, 2012-2014 Cycle

Changed presentation of "Net fee and commission income"
The presentation within Note 4 "Net fee and commission income" has, in addition to the changes described above, been changed. The main change is that income and expenses have been set off to better reflect the net return from different business activities. Commission expenses have been split more granularly to better match the related commission income.

Commission income in connection with initial public offerings (IPOs) have in addition been reclassified from "Custody and issuer services" to "Brokerage, securities issues and corporate finance" and commission expenses connected to asset management activities from "Other" to "Asset management". These reclassifications have been made to better reflect the purpose of services performed/ received.

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. NBN does not currently intend to early adopt the standard.

Classification and measurement
The classification and measurement requirements in IFRS 9 states that financial assets should be classified as and measured at amortised cost, fair value through profit and loss or fair value through other comprehensive income. The classification of a financial instrument is dependent on the business model for the portfolio where the instrument is included and on whether the cash flows are solely payments of principal and interest (SPPI).

In order to assess the business model, NBN has divided its financial assets into portfolios and/or sub-portfolios based on how groups of financial assets are managed together to achieve a particular business objective. To derive the right level on which portfolios are determined, NBN has taken the current business area structure into account. When determining the business model for each portfolio NBN has analysed the objective with the financial assets as well as for instance past sales behaviour and management compensation.

NBN has analysed whether the cash flows from the financial assets held as of 31 December 2015 are SPPI compliant. This has been performed by grouping contracts which are homogenous from a cash flow perspective and conclusions have been drawn for all contracts within that group.

The analysis of the business model and the SPPI review described above have not resulted in any significant changes compared to how the financial instruments are measured under IAS 39.

Impairment
The impairment requirements in IFRS 9 are based on an expected loss model as opposed to the current incurred loss model in IAS 39. The scope of IFRS 9 impairment requirements is also broader than IAS 39. IFRS 9 requires all assets measured at amortised cost and fair value

through other comprehensive income, as well as off-balance commitments including 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 financial instruments classified into the measurement category AFS.

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 increase in credit risk, stage 2 includes assets where there has been a significant increase in credit risk and stage 3 includes defaulted assets. 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.

One important driver for size of provisions under IFRS 9 is the trigger for transferring an asset from stage 1 to stage 2. NBN has to decide what parameters to use for identifying the increase in credit risk and how much these parameters need to change in order to constitute a "significant increase". For assets held at transition, NBN has tentatively decided to use the change in internal rating and scoring data to determine whether there has been a significant increase in credit risk or not. For assets to be recognised going forward, changes to the lifetime Probability of Default (PD) will be used as the trigger. NBN has concluded it is not possible to calculate the lifetime PDs without undue cost or effort and without the use of hindsight for assets already recognised on the balance sheet at transition. For assets evaluated based on lifetime PDs, NBN has tentatively decided to use a mix of absolute and relative changes in PD as the transfer criterion. In addition, customers with forbearance measures and customers with payments more than thirty days past due will also be transferred to stage 2. NBN has not yet determined the threshold for the change in rating, scoring and PDs when assessing whether it is significant or not.

NBN's current model for calculating collective provisions is based on a deterioration in rating/scoring, but it is not expected that the loss trigger in the current model will equal the triggering event for moving items from stage 1 to stage 2 under IFRS 9.

The provisions under IFRS 9 will be calculated as the exposure at default times the probability of default times the loss given default. For assets in stage 1 this calculation will only be based on the coming 12 months, while it for assets in stage 2 will be based on the expected lifetime of the asset.

For assets where there has been a significant increase 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.

When calculating lifetime losses under IFRS 9, including the staging assessment, the calculation should be based on probability weighted forward looking information. NBN has tentatively decided to apply three macro-economic scenarios to address the non-linearity in expected credit losses. The different scenarios will be used to adjust the relevant parameters for calculating expected losses and a probability weighted average of the expected losses under each scenario will be recognised as provisions. It is expected the new requirements will increase loan loss provisions and decrease equity in the period of initial application. It is not expected to have any material impact on large exposures. The impact on capital adequacy is not possible to determine as it is expected the Basel committee will issue new rules for the transition to IFRS 9, but these are not yet final. It is furthermore expected that the long term effects, once the transitional rules become obsolete, will be negative on capital adequacy, as the reduction in equity is expected to reduce CET 1 capital. It is however not expected the full increase in provisions will decrease CET 1 capital as there are mitigating effects, for instance the current shortfall deduction that are expected to be reduced when provisions are calculated under IFRS 9.

Impairment calculations under IFRS 9 will require more experienced credit judgements by the reporting entities than is required by IAS 39 today and a higher subjectivity is thus introduced. The inclusion of forward looking information adds complexity and makes provisions more dependent on management's view of the future economic outlook. It is expected that the impairment calculations under IFRS 9 will be more volatile and pro-cyclical than under IAS 39, mainly due to the significant subjectivity applied in the forward looking scenarios.

Hedge accounting

The main change to the general hedge accounting 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, large exposures, risk management or alternative performance measures in the period of initial application.

NBN's tentative conclusion is to continue using the IAS 39 hedge accounting requirements also after IFRS 9 has been implemented, but that remains to be confirmed.

IFRS 15 "Revenue from Contracts with Customers"

The IASB published the new standard, IFRS 15 "Revenue from Contracts with Customers" in 2014. Clarifications to the standard were published in April 2016. 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 standard was endorsed by the EU-commission in 2016 and the clarifications are expected to be endorsed in 2017. 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 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 associated undertaking 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.

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 amendments are expected to be endorsed by the EU-commission in 2017. 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 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"
- Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"
- Amendments to IAS 1: "Disclosure Initiative"
- Amendments to IFRS 2: "Classification and Measurement of Share based Payment Transactions

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 loans to the public/credit institutions
- the actuarial calculations of pension liabilities and plan assets related to employees

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 are 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.
- The judgement of which market parameters are observable.

The critical judgements required when determining fair value of financial instruments that lack quoted prices or recently observed market prices also introduce a high degree of estimation uncertainty.

In all of these instances, decisions are based upon professional judgement in accordance with NBN's accounting and valuation policies. The valuation policy is governed by the Group Valuation Committee, which is chaired by the Group CFO.

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".

Estimation uncertainty also arises at initial recognition of financial instruments that are part of larger structural transactions. Although subsequently not necessarily held at fair value such instruments are initially recognised at fair value and as there is normally no separate transaction price or active market for such individual instruments the fair value has to be estimated.

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.

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.

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. 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 to changes in assumptions. The defined benefit obligation was NOK 1,141m (NOK 1,416m) at the end of the year.

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. For entities where voting rights does not decide control, see section "Structured entities" below.

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 18 "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 where it 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 Nordea Bank Norge ASA. The current method is used when translating the financial statements of foreign entities into NOK from their functional currency. The assets and liabilities of foreign entities have been translated at the closing rates, while items in the income 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.

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.

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 for derivatives used for hedging, including economical hedges of NBN's funding, where such components are classified as "Net interest income".

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 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 are classified as “Net result from items at fair value” in the income statement.

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

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

Profit from companies accounted for under the equity method

The profit from companies accounted for under the equity method is defined as the post-acquisition change in 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 in NBN. 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 13 “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 associated undertaking 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 and the exposure to net investments in foreign operations.

NBN applies two forms of hedge accounting:

- 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, 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.

The trade frequency and volume are monitored regularly in order to assess if markets are active or non-active. 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. The adequacy of the valuation technique, including an assessment of whether to use quoted prices or theoretical prices, is monitored on a regular basis.

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)
- 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 the Model Risk 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 and interest-bearing securities within Markets and Treasury. It also contains trading liabilities such as short-selling positions and lending in reverse repurchase agreements.

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", "Loans 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", "Loans to credit institutions" or as "Loans to the public".

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

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

Realised and unrealised gains and losses from derivatives are recognised in the income statement in the item "Net result 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 and if the intent is to settle the items net or realise the asset and settle the liability simultaneously.

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 and equity instruments
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 38 "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 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.

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. Investment properties are then measured at fair value. 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 13 "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 is, 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 recognized 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 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 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 which differs from the straight-line basis and better resembles an ordinary rental arrangement.

15. Intangible assets

Intangible assets are identifiable, non-monetary assets without physical substance. The assets are under 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 associated undertakings 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 includes also acquired software licenses not related to the function of a tangible asset.

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

Other intangible assets

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

Impairment

Goodwill and IT-development not yet taken into use 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, including IT-development taken into use, 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 and IT-development not yet taken into use, 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 20 "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 value".

18. Taxes

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

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

Deferred tax assets and liabilities are recognised, using the balance sheet method, 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 25 "Share-based payment".

More information can be found in Note 8 "Staff costs".

Post-employment benefits

Pension plans

The companies within NBN have various pension plans, consisting of both defined benefit pension plans and defined contribution pension plans, reflecting national practices and conditions in the countries where NBN operates. Defined benefit pension plans are predominantly sponsored. The major defined benefit pension plans are funded schemes covered by assets in pension funds/foundations. 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 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. NBN also contributes to public pension systems.

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 enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In countries where no such market exists the discount rate is determined by reference to government bond yields. In NBN the discount rate is determined with reference to covered bonds. The observed covered bond credit spreads over the swap curve is derived from the most liquid long dated covered bonds and extrapolated to the same duration as the pension obligations using the relevant swap curves.

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 Nordea 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.

Share premium reserve
The share premium reserve consists of the difference between the subscription price and the quota value of the shares in NBN's rights issue. Transaction costs in connection to the rights issue have been deducted.

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 "Commitments".

23. Share-based payment
Equity-settled programmes
Nordea 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 Nordea Bank AB (publ.) at a significant discount compared to the share price at grant date. The value of such rights is expensed. The expense is based on the estimated fair value of each right at grant date. The total fair value of these rights is determined based on the group's estimate of the number of rights that will eventually vest, which is reassessed at each reporting date. The fair value is expensed on a straight-line basis over the vesting period. The vesting period is the period that the employees have to remain in service in Nordea in order for their rights to vest. Market

performance conditions in 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 Nordea Bank AB (publ.) Annual Report.

Cash-settled programmes

Nordea has to defer payment of variable salaries under Nordic FSA's regulations and general guidelines, as is also the case with the Executive Incentive Programme (EIP). The deferred amounts are to some extent indexed using 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 Nordea Bank AB (publ.) Annual Report.

24. Related party transactions

NBN 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

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

Group undertakings

For the definition of group undertakings see section 5 "Principles of consolidation". Further information on the undertakings included in the 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 19 "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)

For information about compensation, pensions and other transactions with key management personnel, see Note 8 "Staff costs".

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 Nordea Bank Norge as well as companies significantly influenced by close family members to these key management personnel. Other related parties also include NBN's pension foundations. Information concerning transactions between NBN and other related parties is found in Note 43 "Related-party transactions".

25. Exchange rates

EUR 1 = NOK	2016	2015
Income statement (average)	9.2943	8.9434
Balance sheet (at end of period)	9.0863	9.6030
USD 1 = NOK		
Income statement (average)	8.4011	8.0624
Balance sheet (at end of period)	8.6120	8.8206
SEK 1 = NOK		
Income statement (average)	0.9825	0.9562
Balance sheet (at end of period)	0.9512	1.0450
DKK 1 = NOK		
Income statement (average)	1.2483	1.1991
Balance sheet (at end of period)	1.2222	1.2868

Note 2:
Segmentreporting [1]

					Wholesale Banking															
	Personal Banking[1]		Commercial and Business Banking[1]		CIB		Shipping, Offshore & Oil Services		Other Wholesale[3,4]		Wealth Management[4]		Group Corporate Centre		Total Operating segments		Reconciliation[2,3]		Total Group	
Income statement NOKm	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net interest income	2,930	3,253	2,731	2,862	969	898	1,053	1,136	-56	24	-1	-2	1,616	1,311	9,242	9,482	86	-148	9,328	9,334
Net fee and commission income	1,307	1,281	615	574	797	682	335	312	500	587	-550	-583	-20	-14	2,984	2,839	-233	-239	2,751	2,600
Net result from items at fair value	183	270	597	573	497	450	130	123	292	289	0	0	188	-133	1,887	1,572	-1,399	-1,170	488	402
Profit from companies accounted for under the equity method	0	0	5	4	0	0	0	0	0	0	0	0	82	0	87	4	-80	253	7	257
Other income	52	15	74	71	-2	-3	6	6	2	1	29	24	26	85	187	199	43	37	230	236
Total operating income, NOKm	**4,472**	**4,819**	**4,022**	**4,084**	**2,261**	**2,027**	**1,524**	**1,577**	**738**	**901**	**-522**	**-561**	**1,892**	**1,249**	**14,387**	**14,096**	**-1,583**	**-1,267**	**12,804**	**12,829**
Staff costs	-1,110	-1,181	-775	-817	-58	-59	-104	-100	-506	-482	-167	-77	-114	-92	-2,834	-2,808	593	-481	-2,241	-3,289
Other expenses	-1,297	-1,247	-882	-913	-468	-446	-159	-155	407	377	237	260	0	54	-2,162	-2,070	164	130	-1,998	-1,940
Depreciation, amortisation and impairment charges of tangible and intangible assets	-48	-56	-55	-56	0	0	0	0	-630	-597	-2	-1	-38	-13	-773	-723	629	588	-144	-135
Total operating expenses	**-2,455**	**-2,484**	**-1,712**	**-1,786**	**-526**	**-505**	**-263**	**-255**	**-729**	**-702**	**68**	**182**	**-152**	**-51**	**-5,769**	**-5,601**	**1,386**	**237**	**-4,383**	**-5,364**
Net loan losses	-38	-59	-695	-274	-28	-361	-777	-75	0	0	0	0	0	0	-1,538	-769	0	-1	-1,538	-770
Operating profit, NOKm	**1,979**	**2,276**	**1,615**	**2,024**	**1,707**	**1,161**	**484**	**1,247**	**9**	**199**	**-454**	**-379**	**1,740**	**1,198**	**7,080**	**7,726**	**-197**	**-1,031**	**6,883**	**6,695**
Income tax expense[5]	-479	-535	-391	-475	-413	-273	-117	-293	-2	-47	110	89	-421	-281	-1,713	-1,815	47	243	-1,666	-1,572
Net profit for the year	**1,500**	**1,741**	**1,224**	**1,549**	**1,294**	**888**	**367**	**954**	**7**	**152**	**-344**	**-290**	**1,319**	**917**	**5,367**	**5,911**	**-150**	**-788**	**5,217**	**5,123**
Balance sheet, NOKmrd																				
Loans to the public, NOKbn	255	246	164	178	39	32	55	55	1	1	0	0	0	0	514	512	0	0	514	512
Deposits and borrowings from the public, NOKbn	87	88	85	86	49	48	18	18	0	0	0	0	0	0	239	240	0	0	239	240

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	
	2016	2015	2016	2015	2016	2015	2016	2015
Total Operating segments	14,387	14,097	7,080	7,727	514	512	239	240
Reconciliation[2]	-124	180	629	-183	0	0	0	0
Eliminations	-5	-3	0	0	0	0	0	0
Differences in accounting policies between the segments and the group regarding Markets	-1,455	-1,446	-826	-849	0	0	0	0
Total	**12,804**	**12,829**	**6,883**	**6,695**	**514**	**512**	**239**	**240**

[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:
Segmentreporting 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).

During the fourth quarter changes were made to the basis of segmentation following the decision to divide Retail Banking into two business areas; Personal Banking and Commercial & Business Banking.

Changes in basis of segmentation
Nordea's organisation is developed around the four main business areas Personal Banking, Commercial and Business 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 four main business areas Personal Banking, Commercial and Business Banking, Wholesale Banking, with further breakdown on operating segments, and for the operating segment Group Corporate Centre and Wealth Management. 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
Personal Banking serves Nordeas household customers offering a full service banking operation. It is Nordea's largest customer area and serves household customers in the Nordic market. Customers within Personal Banking are offered a complete range of banking products and services including account products, transaction products, market products and insurance products.

Commercial & Business Banking originated when Retail Banking was split. The business area consists of Commercial Banking, Business Banking and Transaction Banking. Commercial & Business Banking works with a relationship-driven customer service model with a customer-centric value proposition for our corporate customers. Our strategy is to be trusted, relevant and easy to deal with for our customers

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.

The accounting policies of the operating segments complies with the Group's significant accounting policies described in note 1, except for that software is expensed as incurred in the operating segments, but capitalised as required by IAS 38 in the Group's balance sheets.

Group

Total operating income split on product groups

NOKm	2016	2015
Banking products	10,999	11,262
Capital Markets products	886	938
Savings Products & Asset Management	212	225
Life & Pensions	118	107
Other	588	297
Total	**12,804**	**12,829**

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

Note 3:
Net interest income

	Group		Parent company	
NOKm	2016	2015	2016	2015
Interest income				
Loans to credit institutions	141	240	470	696
Loans to the public	14,074	15,183	10,764	11,420
Interest-bearing securities	1,350	1,386	1,393	1,455
Other interest income	891	782	414	249
Interest income	**16,456**	**17,591**	**13,041**	**13,820**
Interest expense				
Deposits by credit institutions	-1,557	-1,659	-1,561	-1,665
Deposits and borrowings from the public	-1,425	-2,541	-1,425	-2,541
Debt securities in issue	-1,980	-1,950	-208	-164
Subordinated liabilities	-506	-465	-506	-465
Other interest expenses[1]	-1,660	-1,642	-1,988	-1,969
Interest expense	**-7,128**	**-8,257**	**-5,688**	**-6,804**
Net interest income	**9,328**	**9,334**	**7,353**	**7,016**

[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 15,172m (NOK 16,317m) for the group and NOK 11,714m (NOK 12,476m) for the parent company. Interest expenses from financial instruments not measured at fair value through profit and loss amounts to NOK 5,572m (NOK 6,649m) for the group and NOK 3,804m (NOK 4,869m) for the parent company.

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

Note 4:
Net fee and commission income[1]

	Group		Parent company	
NOKm	2016	2015	2016	2015
Asset management commissions	181	184	181	184
Life & Pension	118	107	118	107
Deposit Products	31	41	31	41
Brokerage, securities issues and corporate finance	429	447	429	447
Custody and issuer services	90	91	93	95
Payments	250	113	251	114
Cards	398	476	395	473
Lending Products	1,178	1,054	1,008	889
Guarantees and documentary payments	24	25	24	25
Other	52	62	58	68
Total	**2,751**	**2,600**	**2,588**	**2,443**

[1] The presentation has been changed, see Note 1 Accounting policies

Fee income, not included in determining the effective interest rate, from financial assets and liabilities not measured at fair value through profit or loss amounts to NOK 786m (NOK 780m) for the Group and NOK 786m (NOK 780m) 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 amounts to NOK 1,214m (NOK 1,098m) for the Group and NOK 1,041m (NOK 930m) 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 company	
NOKm	2016	2015	2016	2015
Shares/participations and other share-related instruments	-6	41	-6	38
Interest related instruments and foreign exchange gains/losses	491	358	506	368
Investment properties	3	3	0	0
Total	**488**	**402**	**500**	**406**

Net result from categories of financial instruments

	Group		Parent company	
NOKm	2016	2015	2016	2015
Available for sale assets, realised	56	18	56	17
Financial instruments designated at fair value through profit or loss	27	30	26	28
Financial instruments held for trading	200	-55	203	-61
Financial instruments under fair value hedge accounting	21	-47	-17	-17
- of which net result on hedging instruments	-322	101	300	233
- of which net result on hedged items	343	-148	-316	-251
Financial assets measured at amortised cost	-16	174	35	161
Foreign exchange gains/losses excl currency hedges	227	281	227	281
Other	-27	1	-30	-3
Total	**488**	**402**	**500**	**406**

Note 6:
Dividends and group contribution

	Parent company	
NOKm	2016	2015
Investments in group undertakings	1,440	1,808
Total	**1,440**	**1,808**

Note 7:
Other operating income

	Group		Parent company	
NOKm	2016	2015	2016	2015
Income from real estate	5	1	9	4
Disposals of tangible and intangible assets	68	59	0	1
Other	157	176	609	312
Total	**230**	**236**	**618**	**317**

Note 8:
Staff costs

	Group		Parent company	
NOKm	2016	2015	2016	2015
Salaries and remunerations	2,165	2,308	2,027	2,181
Pension costs (specification below)	-416	369	-394	355
Social security contributions	347	409	324	390
Allocation to profit-sharing[1]	24	80	23	75
Other staff costs	121	123	120	115
Total[1]	**2,241**	**3,289**	**2,100**	**3,116**

[1] Allocation to profit-sharing foundation in 2016 consisted of a new allocation of NOK 27m (25m for the parent company) and reversal of cost related to prior years of NOK 3m (2m for the parent company). In 2015 new allocation amounted to NOK 79m (73m for the parent) and allocation for prior year amounted to 1m (2m for the parent).

Pension costs (excluding social charges)	Group		Parent company	
NOKm	2016	2015	2016	2015
Defined Benefit plans (Note 33)	-407	299	-385	288
Defined Contribution plans (Note 33)[2]	65	70	61	67
Total[1]	**-342**	**369**	**-324**	**355**

[1]Amounting to an income of 390m (368m for the parent) including social charges in 2016 and expense of 422m (408m for the parent) in 2015.

Number of employees/full time positions				
Number of employees as at 31.12	2,921	2,874	2,718	2,676
Full-time equivalents as at 31.12.	2,716	2,645	2,529	2,460
- of which men	1,431	1,253	1,336	1,299
- of which women	1,285	1,392	1,193	1,161
Average full time equivalents	2,701	2,694	2,513	2,512
- of which men	1,414	1,274	1,319	1,328
- of which women	1,286	1,420	1,194	1,184
Gender distribution Board of Directors				
Percent at year-end				
- Men	83	74	67	60
- Women	17	26	33	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 16 March 2017.

Statement to the Annual General Meeting 2017 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 2017:

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 (BRC's members are independent of the company and its management, and the committee currently consists of Marie Ehrling (chairman) 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 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. For 2016 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 2016, and did not receive any remuneration in the form of shares, options, etc. in Nordea Bank Norge ASA in 2016, as mentioned in Section 6-16 a, no. 3, however see also comments under non-monetary benefits below.

Note 8:
Staff costs cont.

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 retain and recruit the best employees to executive positions in the Group. Further, the objective is to stimulate senior executives, whose effort has direct influence on Nordea's results, profitability and growth, to increased effort by aligning their interests and perspectives with the stockholder's. For senior executives, it's a general ambition for Nordea to maintain a competitive level of salaries and other variable benefits in line with what is considered necessary to ensure a satisfying 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 2016, 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.

A limited number of senior executive has from 2013 been offered a long term incentive arrangement, Executive Incentive Programme (EIP). It was introduced 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.

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.

More information on the incentive programmes can be found at www.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 2016
The above principles and guidelines have been in practice over time, and are complied with in 2016, 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.

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.

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 2016. 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 2016 at 1,8% for loans up to 5m and 2,15% for loans above 5m. Loans to family members of senior executives are granted on normal market terms, as well as loans to senior executives not employed by Nordea. Interest includes interest income on the loans for Nordea Bank Norge during 2016. 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 2016 and 0m (0m for the parent) in 2015, including social security, of which 0m (0m) relates to the individuals below.

Salaries and remuneration – per individual, figures in NOK thousand, 2016

Name and position	Fixed salary and fees	Variable salary	Benefits	Pensions	**Total remune-ration**	Pension obligation	Loans	Interest
Gunn Wærsted, CEO (until 20.1) [1]							2,409	53
Snorre Storset, CEO (from 20.1) [1]								
Topi Manner, Chairman of the Board (from 13.7) [1]								
Tom Johannessen [1]								
Tone Wille (fra 10.3) [1]	198				198			
Hans Christian Riise, employee rep.	903	28	18	75	1,024	1,636		
Lennart Jacobsen, Chairman of the Board (until 13.7) [1]								
Karin S. Thorburn (until 13.7)	120				120			
Hilde Merete Tonne (until 17.2)	34				34			
Total CEO and Board of Directors of NBN ASA[1]	**1,255**	**28**	**18**	**75**	**1,376**	**1,636**	**2,409**	**53**
Topi Manner, Chairman of the Board (from 24.6) [1]								
Tone Wille (fra 24.6)	26				26			
Lennart Jacobsen, Chairman of the Board (from 26.6) [1]								
Karin S. Thorburn (til 24.6)	23				23			
Total Board Audit Committee of NBN ASA[1]	**49**	**0**	**0**	**0**	**49**	**0**	**0**	**0**
Total remuneration and loans to Senior Executives	**1,304**	**28**	**18**	**75**	**1,425**	**1 636**	**-2,409**	**53**

Note 8:
Staff costs cont.

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 ASA[1]	**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**	**30 529**	**665**

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 Topi Manner 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 3.7 to NB AB (4.4m in 2015). 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 2016 (same level as in 2015). 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 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 of total fees shown in the table is remunerated from NFN for membership in the NFN Control Committee .

[4] Board of Representatives was resolved on 8.2.2016 and no fees was paid in this period. Total fee paid in 2015 to all members of the Board of Representatives in NBN was NOK 242 800 , of which NOK 163 6000 was paid to external members not employed by Nordea. All attending members received NOK 3,600 for each of the three meetings during the year. Loans to external members amounted to NOK 16 179 904 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. The fee to the chairman Bjarne Aamodt was NOK 65,900 and to the deputy chairman Cato A. Holmsen NOK 18,500. 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.

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 8.3bn as of 31 December 2016 (NOK 7.7bn as of 31 December 2015). The interest income totalled NOK 41m on these loans in 2016 (NOK 39m in 2015). 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 2016 is paid no earlier than autumn 2019. 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 2016 is decided during spring 2017, and a reservation of NOK 33m incl. social costs (30m for the parent) has been made in 2016. 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	2016	2015	2016	2015
Opening balance	78,723	47,577	76,352	46,897
Reclassification	-577	8,991	-577	8,712
Deferred/earned during the year	49,039	51,686	47,233	49,841
TSR indexation during the year	21,507	2,729	20,742	2,644
Payments during the year[1]	-22,818	-32,260	-22,334	-31,741
Closing balance	**125,875**	**78,723**	**121,644**	**76,352**

[1] There have been no adjustments due to forfeitures in 2016.

Note 9:
Other expenses

	Group		Parent company	
NOKm	2016	2015	2016	2015
Information technology	772	673	722	639
Marketing and representation	106	96	101	85
Postage, transportation, telephone and office expenses	127	156	113	144
Rents, premises and real estate	318	442	363	395
Other [1]	675	573	619	533
Total	**1,998**	**1,940**	**1,918**	**1,796**

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

Auditors' fees
During the year, the Group has expensed fees of NOK 4.0m including VAT to its external auditors (NOK 3.0m for the parent). For group NOK 3.6m (2.8m for parent) were connected to audit work, while NOK 0.4m (0.3m for parent) were for other services.

In 2015 the Group expensed fees of NOK 5,2m including VAT to its external auditors (NOK 3,9m for the parent). For the Group NOK 4,1m (2,8m for parent) were related 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	2016	2015	2016	2015
Depreciation/amortisation				
Properties and equipment (Note 21)	127	115	64	61
Intangible assets (Note 20)	15	15	14	13
Total	**142**	**130**	**78**	**74**
Impairment charges / Reversed impairment charges				
Intangible assets (Note 20)	2	5	2	5
Total	**2**	**5**	**2**	**5**
Total	**144**	**135**	**80**	**79**

Note 11:
Net loan losses

	Group		Parent company	
NOKm	2016	2015	2016	2015
Divided by class				
Provisions	-2,404	-1,273	-2,303	-1,157
Realised loan losses	-506	-1,000	-462	-948
Allowances to cover realised loan losses	398	864	367	826
Reversals of previous provisions	912	574	856	514
Recoveries on previous realised loan losses	65	64	51	55
Loans to the public[1]	**-1,535**	**-771**	**-1,491**	**-710**
Provisions	-32	-13	-32	-13
Reversals of previous provisions	29	14	29	14
Off-balance sheet items[2]	**-3**	**1**	**-3**	**1**
Net loan losses	**-1,538**	**-770**	**-1,494**	**-709**

[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	2016	2015	2016	2015
Current tax	-2,550	-560	-2,634	-202
Deferred tax	884	-1,012	921	-1,356
Total	**-1,666**	**-1,572**	**-1,713**	**-1,558**

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	2016	2015	2016	2015
Profit before tax	6,883	6,695	6,907	6,290
Tax calculated at a tax rate of 25%	-1,721	-1,808	-1,727	-1,698
Income/loss from associated undertakings	-6	64	0	0
Tax-exempt income	13	9	36	8
Non-deductible expenses	-23	-46	-22	-33
Change of tax rate[1]	26	177	0	170
Adjustments relating to prior years	45	31	0	-5
Tax charge	**-1,666**	**-1,572**	**-1,713**	**-1,558**
Average effective tax rate	-24.2 %	-23.5 %	-24.8 %	-24.8 %

[1] Due to change in corporate tax rate in Norway from 27% to 25% in 2016.

	Group			
	Deferred tax assets		Deferred tax liabilities	
NOKm	2016	2015	2016	2015
Deferred tax related to:				
Tax losses carry-forward	0	651	0	0
Financial instruments and derivatives	0	0	2,784	4,300
Properties, equipment and intangible assets	20	19	0	0
Retirement benefit assets/obligations	286	355	0	0
Liabilities/provisions/other	63	81	0	0
Netting between deferred tax assets and liabilities	-369	-1,106	-369	-1,106
Total	**0**	**0**	**2,415**	**3,194**

	Parent company			
	Deferred tax assets		Deferred tax liabilities	
NOKm	2016	2015	2016	2015
Deferred tax related to:				
Tax losses carry-forward	0	645	0	0
Financial instruments and derivatives	0	0	2,051	3,554
Properties, equipment and intangible assets	20	19	0	0
Retirement benefit assets/obligations	271	342	0	0
Liabilities/provisions/other	54	80	0	0
Netting between deferred tax assets and liabilities	-345	-1,086	-345	-1,086
Total	**0**	**0**	**1,706**	**2,468**

Note 13:
Loans and impairment

Group	Central banks and credit institutions		The public		Total	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015	2016	2015
Loans, not impaired	18,499	14,131	511,850	510,528	530,349	524,659
Impaired loans	0	0	6,372	4,455	6,372	4,455
- Servicing	0	0	2,648	2,649	2,648	2,649
- Non-Servicing	0	0	3,724	1,806	3,724	1,806
Loans before allowances	**18,499**	**14,131**	**518,222**	**514,983**	**536,721**	**529,114**
Allowances for individually assessed impaired loans	0	0	-2,632	-2,152	-2,632	-2,152
'-Servicing	0	0	-993	-1,229	-993	-1,229
- Non-Servicing	0	0	-1,639	-923	-1,639	-923
Allowances for collectively assessed impaired loans	0	0	-1,453	-813	-1,453	-813
Allowances	**0**	**0**	**-4,085**	**-2,965**	**-4,085**	**-2,965**
Loans, carrying amount	**18,499**	**14,131**	**514,137**	**512,018**	**532,636**	**526,149**

Parent company	Central banks and credit institutions		The public		Total	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015	2016	2015
Loans, not impaired	53,491	54,668	380,663	380,615	434,154	435,284
Impaired loans	0	0	5,230	3,330	5,230	3,330
- Servicing	0	0	2,359	2,315	2,359	2,315
- Non-Servicing	0	0	2,871	1,015	2,871	1,015
Loans before allowances	**53,491**	**54,668**	**385,892**	**383,945**	**439,384**	**438,614**
Allowances for individually assessed impaired loans	0	0	-2,373	-1,894	-2,373	-1,894
- Servicing	0	0	-922	-1,190	-922	-1,190
- Non-Servicing	0	0	-1,452	-704	-1,452	-704
Allowances for collectively assessed impaired loans	0	0	-1,338	-713	-1,338	-713
Allowances	**0**	**0**	**-3,711**	**-2,606**	**-3,711**	**-2,606**
Loans, carrying amount	**53,491**	**54,668**	**382,181**	**381,338**	**435,673**	**436,008**

Note 13:
Loans and impairment cont.

Movements of allowance accounts for impaired loans

Group

NOKm	Central banks and credit institutions Individually assessed	Collectively assessed	Total	The public Individually assessed	Collectively assessed	Total	Total Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2016	**0**	**0**	**0**	**-2,153**	**-812**	**-2,965**	**-2,153**	**-812**	**-2,965**
Provisions	0	0	0	-1,227	-1,177	-2,404	-1,227	-1,177	-2,404
Reversal of previous provisions	0	0	0	376	536	912	376	536	912
Changes through the income statement	**0**	**0**	**0**	**-851**	**-641**	**-1,491**	**-851**	**-641**	**-1,491**
Allowances used to cover realised loan losses	0	0	0	398	0	398	398	0	398
Translation differences	0	0	0	-26	0	-26	-26	0	-26
Closing balance at 31 Dec 2016	**0**	**0**	**0**	**-2,632**	**-1,453**	**-4,085**	**-2,632**	**-1,453**	**-4,085**
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**	**-699**	**-502**	**-197**	**-699**
Allowances used to cover realised loan losses	0	0	0	864	0	864	864	0	864
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**

Parent company

NOKm	Credit institutions Individually assessed	Collectively assessed	Total	The public Individually assessed	Collectively assessed	Total	Total Individually assessed	Collectively assessed	Total
Opening balance at 1 Jan 2016	**0**	**0**	**0**	**-1,893**	**-713**	**-2,606**	**-1,893**	**-713**	**-2,606**
Provisions	0	0	0	-1,170	-1,158	-2,328	-1,170	-1,158	-2,328
Reversal of previous provisions	0	0	0	323	533	856	323	533	856
Changes through the income statement	**0**	**0**	**0**	**-847**	**-625**	**-1,472**	**-847**	**-625**	**-1,472**
Allowances used to cover realised loan losses	0	0	0	367	0	367	367	0	367
Closing balance at 31 Dec 2016	**0**	**0**	**0**	**-2,373**	**-1,338**	**-3,711**	**-2,373**	**-1,338**	**-3,711**
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**

Note 13:
Loans and impairment cont.

Allowances and provisions

Group	Central banks and credit institutions		The public		Total	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015	2016	2015
Allowances for items in the balance sheet	0	0	-4,085	-2,965	-4,085	-2,965
Provisions for off balance sheet items	0	0	-48	-46	-48	-46
Total allowances and provisions	**0**	**0**	**-4,133**	**-3,011**	**-4,133**	**-3,011**
Parent company						
Allowances for items in the balance sheet	0	0	-3,711	-2,607	-3,711	-2,607
Provisions for off balance sheet items	0	0	0	-46	0	-46
Total allowances and provisions	**0**	**0**	**-3,711**	**-2,653**	**-3,711**	**-2,653**

Key ratios

	Total			
	Group		Parent	
	31 Dec	31 Dec	31 Dec	31 Dec
	2016	2015	2016	2015
Impairment rate, gross[1], basis points	119	84	119	76
Impairment rate, net[2], basis points	70	44	65	33
Total allowance rate[3], basis points	76	56	84	59
Allowances in relation to impaired loans[4], %	41	48	45	57
Total allowances in relation to impaired loans[5], %	64	67	71	78
Non-Servicing loans, not impaired, NOKm	598	920	427	728

[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	2016	2015	2016	2015
State and sovereigns	44,450	37,038	42,015	35,540
Municipalities and other public bodies	1,089	3,100	1,089	3,100
Mortgage institutions	0	0	0	1,163
Other credit institutions	64,710	67,722	61,387	67,722
Corporates	5,821	0	5,821	0
Total	**116,070**	**107,860**	**110,312**	**107,525**

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 company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015
Interest-bearing securities	1,055	0	1,055	0
Shares	0	75	0	75
Total	**1,055**	**75**	**1,055**	**75**

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

Note 16:
Shares

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015
Shares	182	488	179	485
Total	**182**	**488**	**179**	**485**
- of which Financial instruments pledged as collateral (Note 15)	0	-75	0	-75
Total	**182**	**413**	**179**	**410**

Specification of shares

		Group			Parent company		
31 Dec 2016	Norwegian Registration Number	Book value NOKm	Market value NOKm	Voting power of holding %	Book value NOKm	Market value NOKm	Voting power of holding %
Fair value option							
Eiendomsverdi	881 971 682	32	32	18.00	32	32	18.00
Euroclear Clearance System Ltd.		75	75	0.82	75	75	0.82
Nordic Trustee Holding ASA	911 721 287	38	38	10.41	38	38	10.41
Borea Oppurtunity II AS	989 652 036	9	9	1.78	9	9	1.78
Møre og Romsdal Såkornfond AS	991 173 110	1	1	5.43	1	1	5.43
Nordito Property AS	995 400 073	1	1	10.80	1	1	10.80
P-Hus Vekst AS	979 338 333	1	1	5.26	1	1	5.26
ProVenture Seed AS	989 765 248	3	3	2.98	3	3	2.98
Nf Techfleet Norway	813 779 862	3	3	4.00	0	0	0.00
SWIFT		2	2	0	2	2	0
Saltens Bilruter A/S	915 637 620	2	2	2.43	2	2	2.43
Trondheim Sprektrum AS	814 588 432	1	1	1.94	1	1	1.94
Other shares		15	15	0	15	15	0
Total		**182**	**182**		**179**	**179**	

Note 17:
Derivatives and Hedge accounting

	Group			Parent company		
	Fair value			Fair value		
31 Dec 2016, NOKm	Positive	Negative	Total nom amount	Positive	Negative	Total nom amount
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	45	76	262,248	1,687	1,674	360,914
FRAs	0	0	8,000	0	0	8,000
Other	1	1	53	1	1	53
Total	**46**	**77**	**270,301**	**1,688**	**1,675**	**368,967**
Equity derivatives						
Options	1	1	6	1	1	6
Other						
Total	**1**	**1**	**6**	**1**	**1**	**6**
Foreign exchange derivatives						
Currency and interest rate swaps	1,515	527	261,896	1,890	898	275,188
Total	**1,515**	**527**	**261,896**	**1,890**	**898**	**275,188**
Total derivatives held for trading	**1,562**	**605**	**532,203**	**3,580**	**2,575**	**644,161**

	Group			Parent company		
	Fair value			Fair value		
31 Dec 2016, NOKm	Positive	Negative	Total nom amount	Positive	Negative	Total nom amount
Derivatives used for hedge accounting						
Interest rate derivatives	1,709	715	95,694	338	600	75,611
Foreign exchange derivatives	1,290	1,559	35,194	1,119	0	13,356
Total derivatives used for hedge accounting	**2,999**	**2,274**	**130,887**	**1,458**	**600**	**88,967**
- of which fair value hedges[1]	1,709	715	95,694	338	600	75,611
- of which cash flow hedges[1]	1,290	1,559	35,194	1,119	0	13,356
Total derivatives	**4,561**	**2,879**	**663,090**	**5,037**	**3,174**	**733,127**

[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)	7,196	6,811	12,899	40	935
Net cash flows	**7,196**	**6,811**	**12,899**	**40**	**935**

	Group			Parent company		
	Fair value		Total nom amount	Fair value		Total nom amount
31 Dec 2015, NOKm	Positive	Negative		Positive	Negative	
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**
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	2,295	1,009	98,558	326	967	71,767
- of which cash flow hedges	6,547	98	24,619	1,774	0	10,411
Total derivatives	**11,612**	**1,622**	**526,760**	**11,885**	**8,456**	**637,738**

Note 18:
Investments in group undertakings

Parent company	31 Dec	31 Dec
NOKm	2016	2015
Acquisition value at beginning of year	7,218	5,814
Acquisitions during the year[1]	3,053	100
Liquidation during the year	0	-10
Group contribution	0	1,314
Acquisition value at end of year	**10,271**	**7,218**

[1] In 2016 Nordea Eiendomskreditt AS and Nordea Finans AS had an increase in share capital.

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 NOK			
31 Dec 2016	Number of shares	31 Dec 2016	Voting power of holding %	Domicile	Registration number
Nordea Eiendomskreditt AS	15,336,269	8,333	100.0	Oslo	971 227 222
Nordea Finans Norge AS	63,000	1,346	100.0	Oslo	924 507 500
Nordea Essendropsgate Eiendomsforvaltning AS	7,500	397	100.0	Oslo	986 610 472
Nordea Utvikling AS	300	96	100.0	Oslo	999 222 862
First Card AS[1]	200	0	100.0	Oslo	963 215 371
Privatmegleren AS	12,000,000	98	100.0	Oslo	986 386 661
Total		**10,271**			

[1] Dormant company

Note 19:
Investments in associated undertakings

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015
Acquisition value at beginning of year	1,751	1,495	417	417
Share in earnings [1]	5	256	0	0
Acquisition value at end of year	**1,756**	**1,751**	**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 2016 by NOK 77m.

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

	31 Dec	31 Dec
NOKm	2016	2015
Total assets	7,881	15,288
Total liabilities	6,207	13,556
Operating income	-32	-44
Operating profit	-100	-209

Nordeas' share of contingent liabilities in associated undertakings amounts to NOK 165m (0).

			Book value NOKm		Voting power of holding %	
			31 Dec	31 Dec	31 Dec	31 Dec
31 Dec 2016	Registration number	Domicile	2016	2015	2016	2015
Eksportfinans ASA	816 521 432	Oslo	1,733	1,733	23.21	23.21
NF Fleet AS	988 906 808	Oslo	23	18	20.00	20.00
Total			**1,756**	**1,751**		

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	2016	2015	2016	2015
Goodwill[1]	41	41	0	0
Computer Software	20	34	20	34
Other intangible assets	107	84	51	48
Total	**168**	**159**	**71**	**82**

Goodwill[1]				
Acquisition value at beginning of year	48	48	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	34	100	34	100
Acquisitions during the year	6	8	6	8
Sales/disposals during the year	0	-52	0	-52
Reclassifications	-20	-22	-20	-22
Acquisition value at end of year	**20**	**34**	**20**	**34**
Accumulated impairment charges at beginning of year	0	-52	0	-52
Accumulated impairment charges on sales/disposals during the year	0	52	0	52
Accumulated impairment charges at end of year	**0**	**0**	**0**	**0**
Total	**20**	**34**	**20**	**34**

Other intangible assets				
Acquisition value at beginning of year	370	344	322	297
Acquisitions during the year	20	21	0	7
Sales/disposals during the year	-1	-17	-1	-4
Reclassifications	20	22	20	22
Acquisition value at end of year	**409**	**370**	**341**	**322**
Accumulated amortisation at beginning of year	-280	-280	-268	-256
Amortisation according to plan for the year	-15	-15	-15	-13
Accumulated amortisation on sales/disposals during the year	1	15	1	1
Reclassifications	0	0	0	0
Accumulated amortisation at end of year	**-294**	**-280**	**-282**	**-268**
Accumulated impairment charges at beginning of year	-6	-4	-6	-4
Impairment charges during the year	-2	-2	-2	-2
Scrapping	0	0	0	0
Accumulated impairment charges at end of year	**-8**	**-6**	**-8**	**-6**
Total	**107**	**84**	**51**	**48**

[1] Excluding goodwill in associated undertakings. Goodwill is in connection with the acquisition of Privatmegleren AS (100% ownership). The assessment of goodwill for 2016 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	2016	2015	2016	2015
Properties and equipment	812	1,232	404	489
Of which buildings for own use	656	774	307	394
Total	**812**	**1,232**	**404**	**489**
Equipment				
Acquisition value at beginning of year	1,092	913	648	644
Acquisitions during the year	96	214	38	13
Sales/disposals during the year	-106	-20	-106	-7
Reclassifications	-416	-15	1	-1
Acquisition value at end of year	**666**	**1,092**	**581**	**649**
Accumulated depreciation at beginning of year	-630	-553	-550	-522
Accumulated depreciation on sales/disposals during the year	98	10	98	3
Reclassifications	114	0	0	0
Depreciations according to plan for the year	-88	-87	-28	-31
Accumulated depreciation at end of year	**-506**	**-630**	**-480**	**-550**
Accumulated impairment charges at beginning of year	-4	-4	-4	-4
Accumulated impairment charges at end of year	**-4**	**-4**	**-4**	**-4**
Total	**156**	**458**	**97**	**95**
Land and buildings				
Acquisition value at beginning of year	1,008	775	628	632
Acquisitions during the year	-72	240	-51	1
Sales/disposals during the year	-24	-7	-24	-5
Acquisition value at end of year	**912**	**1,008**	**553**	**628**
Accumulated depreciation at beginning of year	-229	-209	-229	-207
Accumulated depreciation on sales/disposals during the year	24	5	24	3
Depreciation according to plan for the year	-46	-25	-36	-25
Accumulated depreciation at end of year	**-251**	**-229**	**-241**	**-229**
Impairment charges during the year	-5	-5	-5	-5
Accumulated impairment charges at end of year	**-5**	**-5**	**-5**	**-5**
Total	**656**	**774**	**307**	**394**

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 2016	31 Dec 2015
Gross investments	15,761	14,879
Less unearned finance income	-823	-811
Net investments in finance leases	**14,938**	**14,068**
Less unguaranteed residual values accruing to the benefit of the lessor	0	0
Present value of future minimum lease payments receivable	**14,938**	**14,068**
Accumulated allowance for uncollectible minimum lease payments receivable	0	0

As of 31 December 2016 the gross investment and the net investment by remaining maturity was distributed as follows:

	Group			
NOKm	31 Dec 2016 Gross investment	31 Dec 2016 Net investment	31 Dec 2015 Gross investment	31 Dec 2015 Net investment
2016	NA	NA	5,347	4,972
2017	6,094	5,729	4,342	4,118
2018	3,637	3,414	2,644	2,530
2019	3,071	2,947	1,369	1,317
2020	1,566	1,508	633	611
2021	695	669	NA	NA
Later years	698	671	544	518
Total	**15,761**	**14,938**	**14,879**	**14,066**
Less unearned future finance income on finance leases	-823	0	-811	0
Investment in finance leases	**14,938**	**14,938**	**14,068**	**14,066**

NA (not applicable)

Nordea as a lessee

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

	Group	
Leasing expenses during the year, NOKm	31 Dec 2016	31 Dec 2015
Leasing expenses during the year	208	274
Of which		
- minimum lease payments	207	274
- 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:

NOKm	Group 31 Dec 2016	Parent company 31 Dec 2016	Group 31 Dec 2015	Parent company 31 Dec 2015
2016	NA	NA	4	66
2017	107	218	36	99
2018	92	205	27	92
2019	61	176	13	80
2020	52	169	8	77
2021	39	158	NA	NA
Later years	39	991	8	748
Total	**389**	**1,917**	**96**	**1,162**

NA (not applicable)

Note 23:
Investment property

Movement in the balance sheet	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015
Carrying amount at beginning of year	55	65	1	1
Sales/disposals during the year	-49	-10	0	0
Carrying amount at end of year	**6**	**55**	**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 3m (0m for the parent) of which 3m (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	2016	2015	2016	2015
Claims on securities settlement proceeds	44	283	44	40
Other	1,273	1,574	1,217	1,526
Total	**1,317**	**1,857**	**1,261**	**1,566**

Note 25:
Prepaid expenses and accrued income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015
Accrued interest income	989	974	878	854
Other accrued income	68	83	68	83
Prepaid expenses	734	889	48	113
Total	**1,791**	**1,946**	**994**	**1,051**

Note 26:
Deposits by credit institutions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015
Central banks	3,455	4,388	3,455	4,388
Other banks	242,908	237,541	242,908	237,541
Other credit institutions	2,131	3,532	2,144	3,587
Total	**248,494**	**245,461**	**248,507**	**245,516**

Note 27:
Deposits and borrowings from the public

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015
Deposits	239,332	240,430	239,455	240,525
Total	**239,332**	**240,430**	**239,455**	**240,525**

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	2016	2015	2016	2015
Bond loans	93,256	90,759	9,004	9,131
Total	**93,256**	**90,759**	**9,004**	**9,131**

Note 29:
Other liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015
Liabilities on securities settlement proceeds	37	32	37	32
Accounts payable	84	104	47	75
Other	3,945	5,976	4,047	6,008
Total	**4,066**	**6,112**	**4,131**	**6,115**

Note 30:
Accrued expenses and prepaid income

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015
Accrued interest	3	11	3	11
Other accrued expenses	1,032	1,103	944	1,016
Prepaid income	688	777	0	0
Total	**1,723**	**1,891**	**947**	**1,027**

Note 31:
Provisions

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015
Reserve for restructuring costs	170	258	166	257
Individually assessed, guarantees and other commitments	48	46	48	46
Other	1	0	1	0
Total	**219**	**304**	**215**	**303**

Group	Restructuring	Guarantees/ commitments	Other	Total
At beginning of year	258	46	0	304
New provisions made	3	31	1	36
Provisions utilised	-29	0	0	-30
Reversals	-49	-29	0	-78
Reclassifications	-13	0	0	-13
At end of year	**170**	**48**	**1**	**219**

Parent company	Restructuring	Guarantees/ commitments	Other	Total
At beginning of year	257	46	0	303
New provisions made	0	31	1	32
Provisions utilised	-29	0	0	-29
Reversals	-49	-29	0	-78
Reclassifications	-13	0	0	-13
At end of year	**166**	**48**	**1**	**215**

Provisions for restructuring costs amounts to NOK 170m. The restructuring activities have mainly been launched to reach the anticipated cost efficiency and profitability. As a part of this, Nordea plans to reduce the number of employees, partly through closing down branches. The majority of the provision is expected to be used during 2017. As with any other provision there is an uncertainty around timing and amount, which is expected to be decreased as the plan is executed.

Loan loss provisions for individually assessed, guarantees and other commitments amounted to NOK 48m (46m in 2015).

Note 32:
Retirement benefit obligations

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015
Defined benefit plans, net	1,141	1,416	1,083	1,369
Total	**1,141**	**1,416**	**1,083**	**1,369**

Nordea Bank Norge (NBN) sponsors both defined contribution plans (DCP) and defined benefit plans (DBP).
NBN is obliged to have an occupational pension scheme under the Mandatory Occupational Pension Plan Act. 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. As of 01.01.2017 all employees born 1958 or later will be converted to DCP. For the employees affected of this change , all earned benefit will retain as paid-up-policies. 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.

The plans are structured in accordance with local regulations and legislations, local practice and, where applicable, collective agreements. Nordea's main DBPs in Sweden, Norway and Finland are all final salary and service based pension plans providing pension benefits on top of the statutory systems. Plan assets are held in a separate pension foundation. In Norway the DBPs are in accordance with the Nordea Norway occupational pension plan and follows the Occupational Pension Act (Foretakspensjonloven). In Norway plan assets are also held by a separate pension fund. Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured using local requirements shall be covered in full or with a predefined surplus. Some pension plans are not covered by funding requirements and are generally unfunded. Quarterly assessments are made to secure the level of future contributions.

Defined benefit plans may impact NBN 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.

During 2016 all employees in the DCP plan has had a contribution of 5% from 1- 7,1G and 8% from 7,1-12G. As of 1 January 2017, all of the employees that are in the DCP plan have the following contribution rates:
- Salary representing 0-7.1 times G: 7 per cent
- Salary representing 7.1-12 times G: 18 per cent

In 2016 the boards in NBN approved of changing the DBP plan for all employees born 1958 or later. All employees born 1958 or later will be converted to DCP as of 01.01.2017. The transition from a defined-benefit to a defined-contribution pension scheme gave a non-reccuring gain of 654mnok and 618mnok for NBN group and NBN ASA respectively

IAS 19 pension calculations and assumptions

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

Assumptions[1]	2016	2015
Discount rate[2]	2.75 %	2.89 %
Salary increase	2.75 %	2.75 %
Inflation	1.75 %	1.75 %
Increase in income base amount	3.00 %	3.00 %
Expected return on assets before taxes	2.75 %	2.89 %
Expected adjustments of current pensions	2.00 %	2.00 %

[1] The assumptions disclosed for 2016 have an impact on the liability calculation by year-end 2016, while the assumptions disclosed for 2015 are used for calculating the pension expense in 2016.

[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) %	2016
Discount rate - Increase 50bps	-7.1 %
Discount rate - Decrease 50bps	7.4 %
Salary increase - Increase 50bps	0.1 %
Salary increase - Decrease 50bps	-0.7 %
Inflation - Increase 50bps	6.2 %
Inflation - Decrease 50bps	-6.2 %
Mortality - Increase 1 year	3.4%
Mortality - Decrease 1 year	-3.4%

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 2015 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 2016. 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	2016	2015	2016	2015
Obligations	7,003	7,005	6,805	6,834
Plan assets	5,861	5,589	5,722	5,465
Net liability(-)/asset(+)	**-1,141**	**-1,416**	**-1,083**	**-1,369**

Movements in the obligation

	Group		Parent company	
NOKm	2016	2015	2016	2015
Opening balance	7,005	7,582	6,834	7,402
Current service cost	117	139	110	131
Interest cost	194	179	189	174
Pensions paid	-282	-258	-281	-256
Past service cost[1]	18	115	18	115
Settlements	0	-7	0	-7
Remeasurement from changes in financial assumptions	372	-511	356	-494
Remeasurement from experience adjustments	143	-113	115	-114
Curtailment effect due to conversion from DBP to DCP	-574	0	-542	0
Change in provision for social security contribution[2]	10	-121	7	-117
Closing balance	**7,003**	**7,005**	**6,805**	**6,834**

[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 15 years based on discounted cash flows.

Movements in the fair value of plan assets

	Group		Parent company	
NOKm	2016	2015	2016	2015
Opening balance	5,589	5,222	5,465	5,115
Interest income (calculated using the discount rate)	162	131	159	129
Pensions paid	-145	-152	-143	-151
Settlements	0	-4	0	-4
Contributions by employer	179	216	169	207
Remeasurement (actual return less interest income)	75	176	73	169
Closing balance	**5,861**	**5,589**	**5,722**	**5,465**

Asset composition

The combined return on assets in 2016 was 4.3% (5.9%) for the group and 4.2% (5.8%) 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 (%)	2016	2015
Bonds	55 %	55 %
- of which sovereign	37 %	39 %
- of which covered bonds	6 %	11 %
- of which corporate bonds	10 %	5 %
- of which issued by Nordea entities	2 %	0 %
- of which with quoted market price in an active market	55 %	55 %
Equity	28 %	28 %
- of which domestic	6 %	6 %
- of which european	9 %	9 %
- of which US	8 %	8 %
- of which emerging	5 %	5 %
- of which Nordea shares	0 %	0 %
- of which with quoted market price in an active market	28 %	28 %
Real estate	15 %	12 %
- of which occupied by Nordea	0 %	0 %
Cash and cash equivalents	2 %	5 %

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

Note 32:
Retirement benefit obligations cont.

Defined benefit pension cost

Recognised in the income statement, NOKm	Group		Parent company	
	2016	2015	2016	2015
Current service cost	117	139	110	131
Net interest	31	48	30	45
Past service cost and settlements[1]	0	-3	0	-3
Recognised past service cost	18	115	18	115
Curtailment effect on plan change from DBP to DCP	-574	0	-542	0
Social security contribution	-57	43	-54	43
Pension cost on defined benefit plans	**-465**	**342**	**-439**	**331**

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

Recognised in the OCI, NOKm	Group		Parent company	
	2016	2015	2016	2015
Remeasurement from changes in financial assumptions	372	-511	356	-494
Remeasurement from experience adjustments	143	-113	115	-114
Remeasurement of plan assets (actual return less interest income)	-75	-176	-73	-169
Social security contribution	62	-113	56	-109
Pension cost on defined benefit plans	**503**	**-913**	**454**	**-886**

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 2016 is 2,5% 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 2016 amounts to NOK 35m. Payments to the plan during 2016 covered 2,737 employees. The premium rate for 2017 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 2016 amounts to NOK 39m.

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	2016	2015	2016	2015
Dated subordinated debenture loans	3,018	3,088	3,018	3,088
Undated subordinated debenture loans	1,727	1,766	4,940	1,766
Hybrid capital loans	5,714	5,771	2,501	5,771
Total	**10,459**	**10,625**	**10,459**	**10,625**

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 506m (465) in 2016 (2015).

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 2016 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	1,727	Libor 6 month + 18.75 basis points
Nordea Bank Norge ASA	2008 - Undated[2]	USD 290	2,501	Libor 3 month + 450 basis points
Nordea Bank Norge ASA	2010 - 2020[3]	USD 350	3,018	Libor 3 month + 140 basis points
Nordea Bank Norge ASA	2011 - 2017[3]	NOK 3,200	3,213	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	2016	2015	2016	2015
Assets pledged for own liabilities				
Securities etc[1]	66,860	82,873	66,859	82,873
Loans to the public (Covered bonds)	98,523	96,822	0	0
Other pledged assets	0	20	0	20
Total	**165,383**	**179,715**	**66,859**	**82,893**
The above pledges pertain to the following liabilities				
Deposits by credit institutions	33,759	46,510	33,759	46,510
Deposits and borrowings from the public	33,100	36,258	33,100	36,258
Derivatives	1	61	1	61
Debt securities in issue	83,861	81,160	0	0
Total	**150,721**	**163,989**	**66,860**	**82,829**

[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. (See note 46 Covered bonds for more information about covered bonds).

Note 35:
Contingent liabilities

	Group		Parent company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015
Guarantees				
Loan guarantees	0	0	5,225	5,066
Other guarantees	2,053	2,165	2,053	2,165
Other contingent liabilities	1	1	0	0
Total	**2,054**	**2,166**	**7,278**	**7,232**

In the normal business of Nordea, the bank issues various forms of guarantees in favour of the bank`s 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	2016	2015	2016	2015
Commitments[1]	146,028	118,390	223,714	191,352
Commitments excluding derivatives	**146,028**	**118,390**	**223,714**	**191,352**

[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 remain 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 2017, 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 CET1 capital

	Group		Parent company	
NOKm	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Balance sheet equity	61,620	56,644	53,536	48,440
Intangible assets	-127	-118	-71	-82
Shortfall deduction	-46	-330	0	-277
Prudential filters	-407	-609	-171	-164
Other capital items	38	87	0	0
Common Equity Tier 1 capital	61,078	55,674	53,294	47,917

Summary of items included in own funds

	Group		Parent company	
NOKm	31 Dec 2016[1]	31 Dec 2015[1]	31 Dec 2016[1]	31 Dec 2015[1]
Calculation of own funds				
Equity in the consolidated situation	61,658	56,731	53,536	48,440
Proposed/actual dividend	0	0	0	0
Common Equity Tier 1 capital before regulatory adjustments	61,658	56,731	53,536	48,440
Intangible assets	-127	-118	-71	-82
IRB provisions shortfall (-)	-46	-330	0	-277
Pension assets in excess of related liabilities	0	0	0	0
Other items, net	-407	-609	-171	-164
Total regulatory adjustments to Common Equity Tier 1 capital	-580	-1,057	-242	-523
Common Equity Tier 1 capital (net after deduction)	**61,078**	**55,674**	**53,294**	**47,917**
Additional Tier 1 capital before regulatory adjustments	4,398	4,677	4,398	4,677
Total regulatory adjustments to Additional Tier 1 capital	0	0	0	0
Additional Tier 1 capital	4,398	4,677	4,398	4,677
Tier 1 capital (net after deduction)	**65,476**	**60,351**	**57,692**	**52,594**
Tier 2 capital before regulatory adjustments	4,741	4,852	4,741	4,851
IRB provisions excess (+)/shortfall (-)	**453**	0	**454**	0
Total regulatory adjustments to Tier 2 capital	453	0	454	0
Tier 2 capital	5,194	4,852	5,195	4,851
Own funds (net after deduction)[2]	**70,670**	**65,203**	**62,887**	**57,445**

[1] Including profit of the period.

[2] Own funds adjusted for IRB provision, i.e. adjusted own funds equal 70 263 NOKm by 31 Dec 2016.

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

Group

Minimum Capital Requirement & Capital Buffers

		Capital Buffers					
Percentage	**Minimum Capital requirement**	**CCoB**	**CCyB**	**SII**	**SRB**	**Capital Buffers total**	**Total**
Common Equity Tier 1 capital	4.5	2.5	1.2	2.0	3.0	8.7	**13.2**
Tier 1 capital	6	2.5	1.2	2.0	3.0	8.7	**14.7**
Own funds	8	2.5	1.2	2.0	3.0	8.7	**16.7**
NOKm							
Common Equity Tier 1 capital	16,159	8,977	4,312	7,182	10,772	31,243	47,402
Tier 1 capital	21,545	8,977	4,312	7,182	10,772	31,243	52,788
Own funds	28,726	8,977	4,312	7,182	10,772	31,243	59,969

Parent

Minimum Capital Requirement & Capital Buffers

		Capital Buffers					
Percentage	**Minimum Capital requirement**	**CCoB**	**CCyB**	**SII**	**SRB**	**Capital Buffers total**	**Total**
Common Equity Tier 1 capital	4.5	2.5	1.2	2.0	3.0	8.7	**13.2**
Tier 1 capital	6	2.5	1.2	2.0	3.0	8.7	**14.7**
Own funds	8	2.5	1.2	2.0	3.0	8.7	**16.7**
NOKm							
Common Equity Tier 1 capital	14,228	7,905	3,709	6,324	9,486	27,423	41,651
Tier 1 capital	18,971	7,905	3,709	6,324	9,486	27,423	46,394
Own funds	25,295	7,905	3,709	6,324	9,486	27,423	52,718

Note 37:
Capital adequacy cont.

Minimum capital requirement and REA	Group				Parent company			
	31 Dec 2016		31 Dec 2015		31 Dec 2016		31 Dec 2015	
NOKm	Minimum Capital require-ment	REA	Minimum Capital require-ment	REA	Minimum Capital require-ment	REA	Minimum Capital require-ment	REA
Credit risk	**14,390**	**179,875**	**15,342**	**191,783**	**14,365**	**179,560**	**15,600**	**195,003**
-of which counterparty credit risk	94	1,171	239	2,986	69	868	204	2,551
IRB	13,208	165,097	13,986	174,827	11,749	146,863	12,373	154,666
- of which corporate	9,888	123,596	10,196	127,454	9,436	117,951	9,681	121,012
- of which advanced	9,219	115,230	9,626	120,328	9,412	117,646	9,680	121,004
- of which foundation	669	8,366	570	7,126	24	305	1	8
- of which institutions	399	4,993	612	7,646	394	4,919	609	7,615
- of which retail	2,669	33,358	2,932	36,646	1,809	22,616	1,978	24,728
- of which secured by immovable property	2,069	25,866	2,226	27,827	1,254	15,679	1,322	16,521
- of which other retail	600	7,492	706	8,819	555	6,937	656	8,207
- of which other	252	3,150	246	3,081	110	1,377	105	1,311
Standardised	1,182	14,778	1,356	16,956	2,616	32,697	3,227	40,337
- of which central governments or central banks	0	1	0	1	0	1	0	1
- of which regional governments or local authorities	17	214	21	265	16	195	19	243
- of which public sector entities	0	5	1	13	0	5	1	13
- of which multilateral development banks	0	0	0	0	0	0	0	0
- of which international organisations	0	0	0	0	0	0	0	0
- of which institutions	372	4,648	584	7,303	1,589	19,859	2,562	32,021
- of which corporate	19	234	8	104	15	189	5	65
- of which retail	547	6,838	514	6,422	0	0	0	0
- of which secured by mortgages on immovable property	0	0	0	0	0	0	0	0
- of which in default	3	41	5	57	0	0	0	0
- of which associated with particularly high risk	0	0	0	0	0	0	0	0
- of which covered bonds	0	0	0	0	0	0	0	0
- of which institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0
- of which collective investments undertakings (CIU)	0	0	0	0	0	0	0	0
- of which equity	40	495	62	774	996	12,448	640	7,994
- of which other items	184	2,302	161	2,017	0	0	0	0
Credit Value Adjustment Risk	**28**	**348**	**56**	**690**	**28**	**349**	**56**	**690**
Market risk	**27**	**339**	**272**	**3,405**	**24**	**305**	**261**	**3,262**
- of which trading book, Internal Approach	23	293	239	2,990	23	293	239	2,991
- of which trading book, Standardised Approach	4	46	33	415	1	12	22	271
- of which banking book, Standardised Approach	0	0	0	0	0	0	0	0
Operational risk	**1,894**	**23,671**	**1,826**	**22,822**	**1,489**	**18,617**	**1,459**	**18,242**
Standardised	1,894	23,671	1,826	22,822	1,489	18,617	1,459	18,242
Additional risk exposure amount due to Article 3 CRR	**74**	**930**	**145**	**1,809**	**66**	**823**	**128**	**1,599**
Sub total	**16,413**	**205,163**	**17,641**	**220,509**	**15,972**	**199,654**	**17,504**	**218,796**
Adjustment for Basel I floor								
Additional capital requirement according to Basel I floor	12,313	153,918	10,697	133,718	9,323	116,535	7,603	95,037
Total	**28,726**	**359,081**	**28,338**	**354,227**	**25,295**	**316,189**	**25,107**	**313,833**

Note 37:
Capital adequacy cont.

Capital adequacy ratios

	Group		Parent company	
	31 Dec 2016[1]	31 Dec 2015[1]	31 Dec 2016[1]	31 Dec 2015[1]
Excl. Basel 1 floor				
CET1 capital ratio (%)	29.8	25.2	26.7	21.9
Tier 1 capital ratio (%)	31.9	27.4	28.9	24.0
Total capital ratio (%)	34.4	29.6	31.5	26.3
Capital adequacy quotient (own funds/capital requirement excluding Basel I floor)	4.3	3.7	3.9	3.3
Incl. Basel 1 floor				
CET1 capital ratio (%)	17.0	15.7	16.9	15.3
Tier 1 capital ratio (%)	18.2	17.0	18.2	16.8
Total capital ratio (%)	19.7	18.4	19.9	18.3
Capital adequacy quotient (own funds/capital requirement excluding Basel I floor)	2.5	2.3	2.5	2.3

[1] Including profit of the period.

Analysis of capital requirements

	Group		Parent company	
Exposure class	Average risk weight (%)	Capital requirement[1]	Average risk weight (%)	Capital requirement[1]
Corporate IRB	44	9,888	43	9,436
Institutions IRB	8	399	9	394
Retail IRB	12	2,669	14	1,809
Sovereign	0	17	0	16
Other	39	1,417	28	2,710
Total credit risk	**24**	**14,390**	**26**	**14,365**

[1]8% minimum capital requirement, NOKm

Capital requirements for market risk, 31 December 2016

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]	4		34	3			38	3
Equity risk	105	8	12	1			117	9
Foreign exchange risk								
Diversification effect	-5						-5	0
Stressed Value-at-Risk	189	15					189	15
Total	**293**	**23**	**46**	**4**			**339**	**27**

[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]	5						5	0
Equity risk	104	8	12	1			116	9
Foreign exchange risk								
Diversification effect	-5	0					-5	0
Stressed Value-at-Risk	189	15					189	15
Total	**293**	**23**	**12**	**1**			**305**	**24**

[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 company	
	31 Dec 2016[1,2]	31 Dec 2015[1]	31 Dec 2016[1,2]	31 Dec 2015[1]
Tier 1 capital, transitional definition, NOKm	65,476	60,351	57,692	52,594
Leverage ratio exposure, NOKm	738,351	791,786	681,380	790,661
Leverage ratio, percentage	8.9	7.6	8.5	6.7

[1]Including profit of the period

[2] Leverage ratio is as per 31 Dec 2016 is calculated according to the Delegated Act.

Note 38:
Classification of financial instruments

Group 31 Dec 2016, 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	8,815							8,815
Loans to central banks and credit institutions [1]	17,321		1,178					18,499
Loans to the public [1]	513,851		285					514,137
Interest-bearing securities [1]		3,010	40,408			72,652		116,070
Financial instruments pledged as collateral			1,055					1,055
Shares [2]				182				182
Derivatives			1,562		2,998			4,561
Fair value changes of the hedged items in portfolio hedge of interest rate risk	229							229
Investments in associated undertakings							1,756	1,756
Intangible assets							168	168
Properties and equipment							812	812
Investment properties							6	6
Retirement benefit assets							43	43
Other assets	80		240				997	1,317
Prepaid expenses and accrued income	1,723						68	1,791
Total	**542,019**	**3,010**	**44,729**	**182**	**2,998**	**72,652**	**3,850**	**669,441**

[1] In the parent company Nordea Bank Norge ASA Loans to credit institutions, Loans to the public and Interest bearing securities were NOK 49,491m, NOK 382,181m, NOK 111,367m 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 2016, 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	1,087			247,407		248,494
Deposits and borrowings from the public				239,332		239,332
Debt securities in issue				93,256		93,256
Derivatives	604		2,275			2,879
Fair value changes of the hedged items in portfolio hedge of interest rate risk				1,063		1,063
Current tax liabilities					2,731	2,731
Other liabilities	1,102			32	2,932	4,066
Accrued expenses and prepaid income				690	1,033	1,723
Deferred tax liabilities					2,415	2,415
Provisions					219	219
Retirement benefit liabilities					1,184	1,184
Subordinated liabilities				10,459		10,459
Total	**2,793**		**2,275**	**592,239**	**10,514**	**607,821**

Note 38:
Classification of financial instruments cont.

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 39:
Assets and liabilities at fair value

Fair value of financial assets and liabilities

	31 Dec 2016		31 Dec 2015	
NOKm	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with central banks	8,815	8,815	6,860	6,860
Loans	532,636	532,407	526,622	536,694
Interest-bearing securities	116,070	116,081	107,860	107,877
Financial instruments pledged as collateral	1,055	1,055	75	75
Shares	182	182	413	413
Derivatives	4,561	4,561	11,612	11,612
Other assets	1,317	1,318	988	988
Prepaid expenses and accrued income	1,791	1,791	1,863	1,863
Total	**666,428**	**666,210**	**656,293**	**666,382**
Financial liabilities				
Deposits and debt instruments	592,603	593,240	588,901	588,803
Derivatives	2,879	2,879	1,622	1,622
Other liabilities	6,799	6,799	3,294	3,294
Accrued expenses and prepaid income	1,723	1,723	787	787
Total	**604,004**	**604,641**	**594,604**	**594,506**

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 2016, 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		1,178		1,178
Loans to the public		285		285
Interest-bearing securities[2]	43,296	69,764		113,060
Shares[3]			182	182
Derivatives		4,560		4,560
Investment properties			6	6
Other assets		240		240
Total	**43,296**	**76,028**	**188**	**119,511**
Liabilities at fair value on the balance sheet[1]				
Deposits by credit institutions		1,087		1,087
Deposits and borrowings from the public				0
Derivatives		2,879		2,879
Other liabilities		1,102		1,102
Total		**5,068**		**5,068**

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

[2] Of which NOK 1055m relates to the balance sheet item Financial instruments pledged as collateral.

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

Note 39:
Assets and liabilities at fair value cont.

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		1,621
Other liabilities		3,220		3,220
Total	**58**	**5,278**		**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.

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 identcal ssets 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.

For OTC derivatives valuation models are used for establishing fair value. For vanilla derviatives standard models such as Black-Scholes are used for valuation. For more exotic OTC derivatives, more compelx valuation models are used. 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.

Note 39:
Assets and liabilities at fair value cont.

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

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 1,367m (NOK 4,729m) from Level 1 to Level 2 and NOK 827m (NOK 2,005m) from Level 2 to Level 1 of the fair value hierarchy. NBN also transferred assets (derivatives) of NOK 0m and liabilities (derivatives) of NOK 0m 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									
2016, NOKm	1 Jan 2016	Reclassification	Realised	Unrealised	Recognised in OCI	Purchases/ Issues	Sales	Settlements	Transfers into Level 3	Transfers out of Level 3	Translation differences	31 Dec 2016
Shares	184										-5	179
Investment properties	*55*						-49					6

			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 items at fair value.
See Note 23 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 valuation control unit, Group Valuation Control (GVC) established as part of the CFO organistaion. 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 is chaired by the Group CFO. It governs valuation matters and also serves as escalation point for valuation issues.

The valuation control process in Nordea consists of several steps. The first step is to determine the end of day (EOD) marking of mid-prices. It is the responsibility of the business areas to determine correct prices used for the valuation process. These prices are either internally marked prices set by a trading unit or externally sourced prices. The valuation prices and valuation approaches are then controlled and tested by independent control units. The cornerstone in the control process is the independent price verification (IPV). The IPV test comprises verification of the correctness of valuations by using independently sourced data that best reflects the market. Finally the results of valuation testing and valuations are analysed and any findings are escalated with the Group Valuation Committee as decision making body.

The verification of the correctness of prices and other parameters is for most products 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 continuous basis.

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

31 Dec 2016, NOKm	Fair value	Valuation techniques
Shares		
Unlisted shares	179	Discounted cash flow/net asset value
Total	**179**	

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

The tables above shows, for each class of assets and liabilties categorised in Level 3, the fair value, the valuation techniques used to estimate the fair value, significant unobservable inputs used in the valuation techniques and for financial assets and liabilites the fair value sensitivity to changes in key assumptions.

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

	31 Dec 2016		31 Dec 2015		
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	8,815	8,815	6,860	6,860	3
Loans	531,473	531,244	526,173	536,245	3
Interest bearing-securities	3,011	3,022	5,510	5,528	2
Other assets	80	80	347	347	3
Prepaid expenses and accrued income	1,723	1,723	1,863	1,863	3
Total	**545,102**	**544,884**	**540,753**	**550,842**	
Liabilities not held at fair value on the balance sheet					
Deposits and debt instruments	591,606	592,243	588,407	588,309	3
Other liabilities	15	15	74	74	3
Accrued expenses and prepaid income	691	691	787	787	3
Total	**592,311**	**592,948**	**589,268**	**589,170**	

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 2016, 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	8,574	-4,080	4,494	-829	0	-1,751	1,914
Securities borrowing agreements	385	0	385	0	-385	0	0
Total	**8,959**	**-4,080**	**4,879**	**-829**	**-385**	**-1,751**	**1,914**

31 Dec 2016, 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	5,509	-4,080	1,429	-829	0	-271	329
Securities lending agreements	9	0	9	0	-9	0	0
Total	**5,518**	**-4,080**	**1,438**	**-829**	**-9**	**-271**	**329**

[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 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.

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.

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 company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015
Repurchase agreements				
Interest-bearing securities	1,055	0	1,055	0
Securities lending agreements				
Shares	0	75	0	75
Total	**1,055**	**75**	**1,055**	**75**

Liabilities associated with the assets

	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015
Repurchase agreements				
Deposits by credit institutions	1,079	0	1,079	0
Securities lending agreements				
Deposits by credit institutions	0	75	0	75
Total	**1,079**	**75**	**1,079**	**75**
Net	**-24**	**0**	**-24**	**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 company	
	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015
Reverse repurchase agreements				
Received collaterals which can be repledged or sold	0	0	0	0
- of which repledged or sold	0	0	0	0
Securities borrowing agreements				
Received collaterals which can be repledged or sold	428	1,455	428	1,455
- of which repledged or sold	428	1,455	428	1,455
Total	**428**	**1,455**	**428**	**1,455**

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 2016, NOKm	Payable on demand	Maximum 3 months	3-12 months	1-5 years	More than 5 years	Total
Interest-bearing financial assets	20,717	59,491	80,611	310,109	289,465	760,393
Non interest-bearing financial assets	0	0	0	0	2,952	2,952
Non-financial assets	0	0	0	0	3,850	3,850
Total assets	**20,717**	**59,491**	**80,611**	**310,109**	**296,267**	**767,195**
Interest-bearing financial liabilities	223,800	98,775	75,668	170,011	36,918	605,172
Non interest-bearing financial liabilities	0	0	0	0	9,185	9,185
Non-financial liabilities and equity	0	0	0	0	65,837	65,837
Total liabilities and equity	**223,800**	**98,775**	**75,668**	**170,011**	**111,940**	**680,194**
Derivatives, cash inflow	0	259,519	13,865	24,942	1,640	299,966
Derivatives, cash outflow	0	258,987	13,562	25,577	1,758	299,884
Net exposure	**0**	**532**	**303**	**-635**	**-118**	**82**
Exposure	**-203,083**	**-38,752**	**5,246**	**139,463**	**184,209**	**87,083**
Cumulative exposure	**-203,083**	**-241,835**	**-236,589**	**-97,126**	**87,083**	

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 146 028m (118 390), which could be drawn on at any time. Nordea has also issued guarantees of NOK 2 054m (2 166) which may lead to future cash outflows if certain events occur.

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.

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	2016	2015	2016	2015
Assets				
Loans	0	0	13,301	12,193
Derivatives	0	0	2,315	6,921
Other assets	0	0	94	140
Total assets	**0**	**0**	**15,711**	**19,255**
Liabilities				
Deposits	35	23	235,954	224,309
Debt securities in issue	0	0	643	388
Derivatives	0	0	2,078	319
Subordinated liabilities	0	0	8,731	8,859
Other liabilities	0	0	910	1,433
Total liabilities	**35**	**23**	**248,316**	**235,309**

	Associated undertakings		Other related parties	
NOKm	2016	2015	2016	2015
Net interest income	0	0	-3,063	-2,735
Net fee and commission income	11	15	622	670
Net result from items at fair value	0	0	-242	15
Other operating income	0	0	94	67
Total operating expenses	0	0	-823	-718
Profit before loan losses	**11**	**15**	**-3,411**	**-2,701**

[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.

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 250m in 2016. Nordea Bank Norge ASA's has a 32.55% share in the agreement equal to USD 81.4m. 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 36m in premiums to Nordea Liv in 2016 (37m in 2015).

Compensations to Key Management personnel

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

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	2016	2015	2016	2015	2016	2015
Assets						
Loans	35,082	40,543	0	0	0	0
Interest-bearing securities	0	1,163	0	0	0	0
Derivatives	452	273	0	0	0	0
Other assets	3	0	0	0	0	0
Prepaid expenses and accrued income	21	11	0	0	0	0
Total assets	**35,558**	**41,991**	**0**	**0**	**0**	**0**
Liabilities						
Deposits	144	153	35	23	1	16
Derivatives	1,638	6,835	0	0	0	0
Other liabilities	44	0	0	0	0	0
Total liabilities	**1,826**	**6,988**	**35**	**23**	**1**	**16**
Off balance						
Contingent liabilities	5,224	5,065				
Credit commitment			702	2,871		

	Group undertakings		Associated undertakings		Nordea Norge Pension Foundation	
Parent company	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
NOKm	2016	2015	2016	2015	2016	2015
Net interest income	11	192	0	0	0	0
Net fee and commission income	5	4	11	15	0	0
Net result from items at fair value	521	125	0	0	0	0
Other operating income	512	179	0	0	0	0
Total operating expenses	-102	-31	0	0	0	0
Profit before loan losses	**946**	**469**	**11**	**15**	**0**	**0**

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) 2016, which is available on www.nordea. com. Much of the information in this note is collected from the Pillar III report in order to fulfil the disclosure requirement regarding credit risk in the Annual report.

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

Exposure types, NOKm	31 Dec 2016	31 Dec 2015
On-balance sheet items	659,373	645,730
Off-balance sheet items	73,117	57,471
Securities financing	258	115
Derivatives	5,624	15,330
Exposure At Default (EAD)	**738,372**	**718,646**

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 2016, 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	8,815	0	0	0	0	8,815
Loans to credit institutions and central banks	17,321	0	1,178	0	0	18,499
Loans to the public	518,073	0	285	-4,132	90	514,137
Interest-bearing securities and pledged instruments	111,367	5,758	0	0	0	117,125
Derivatives[1]	0	0	4,561	0	0	4,561
Intangible assets	0	0	0	126	41	168
Other assets and prepaid expenses	3,218	513	0	1,772	635	6,137
Total assets	**658,794**	**6,271**	**6,024**	**-2,233**	**586**	**669,441**
Exposure at default[2]	**659 373**					

[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 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	11,612	0	0	11,612
Intangible assets	0	0	0	118	41	159
Other assets and prepaid expenses	3,622	1,682	0	1,751	672	7,727
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 are 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 2016, 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	165,383	165,383
Contingent liabilities	2,054	0	0	2,054
Commitments	146,028	0	663,090	809,118
Total	**148,081**	**0**	**828,473**	**976,554**

31 Dec 2016, NOKm	Credit risk in Basel calculation	Items not included in accounts	Original exposure	Average conversion factor	Exposure at default EAD
Credit facilities	81,563	0	81,563	56.9%	46,411
Checking accounts	12,804	487	13,291	59.4%	7,893
Loan commitments	51,660	0	51,660	36.1%	18,658
Guarantees	2,054	0	2,054	6.4%	131
Other	0	24	24	100.0%	24
Total	**148,081**	**511**	**148,592**		**73,117**

Note 44:
Credit risk disclosures cont.

Off-balance sheet items

31 Dec 2015, NOKm	Credit risk in Basel calculation	Included in derivatives and securities financing	Off-balance sheet	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	51.3%	39,916
Checking accounts	14,251	464	14,715	56.3%	8,288
Loan commitments	26,296	0	26,296	35.1%	9,239
Guarantees	2,166	0	2,166	0.2%	3
Other	0	24	24	100.0%	24
Total	**120,557**	**489**	**121,045**		**57,471**

As of year-end 2016 92% of total credit risk REA was calculated using the IRB approach. The main part of the exposure is within the IRB corporate and IRB retail portfolios. During 2016, total exposures increased primarily due to increased exposures in the retail portfolios.

Exposure classes split by exposure type

31 Dec 2016, NOKm	On-balance sheet items	Off-balance sheet items	Securities financing	Derivatives	Total exposure
Government, local authorities and central banks	74,161	607	0	0	74,768
Institutions	73,643	1,509	258	5,624	81,034
Corporate	229,206	52,622	0	0	281,828
Retail[1]	267,602	18,379	0	0	285,981
Other	14,760	0	0	0	14,760
Total exposure	**659,373**	**73,117**	**258**	**5,624**	**738,372**

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	0	0	60,931
Institutions	72,997	3,745	107	15,328	92,178
Corporate	236,735	42,036	8	1	278,780
Retail[1]	260,507	11,027	0	1	271,535
Other	15,125	99	0	0	15,223
Total exposure	**645,730**	**57,471**	**115**	**15,330**	**718,646**

[1] Inlcudes exposures secured by real estate.

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). Other, public and organisation (NOK 384m) is the largest followed by the industries Real estate management and investment (NOK 86m) and Shipping and offshore (NOK 56m). During the year the largest nominal increase was seen in the industries Banks and Construction and engineering.

Exposure split by industry group

NOKm	31 Dec 2016	31 Dec 2015
Banks	25,404	19,606
Construction and engineering	24,783	19,165
Consumer durables (cars, appliances, etc.)	7,663	11,637
Consumer staples (food, agriculture etc.)	17,220	19,285
Energy (oil, gas, etc.)	11,007	10,916
Health care and pharmaceuticals	1,546	2,098
Industrial capital goods	713	732
Industrial commercial services	23,619	22,067
IT software, hardware and services	2,216	1,762
Media and leisure	3,856	4,072
Metals and mining materials	1,336	1,628
Other financial institutions	52,920	50,827
Other materials (chemical, building materials, etc.)	6,430	5,146
Other, public and organisations	383,632	373,936
Paper and forest materials	55	378
Real estate management and investment	85,631	83,889
Retail trade	10,065	11,776
Shipping and offshore	55,580	55,716
Telecommunication equipment	11	10
Telecommunication operators	4,433	3,782
Transportation	7,678	8,116
Utilities (distribution and production)	12,574	12,104
Total exposure	**738,372**	**718,646**

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.

31 Dec 2016, NOKm	Original exposure	EAD	- of which secured by guarantees and credit derivatives	- of which secured by collateral
Government, local authorities and central banks	72,218	74,768	142	
Institutions	81,138	81,034	247	2,292
Corporate	325,441	281,828	17,473	158,257
Retail[1]	319,122	285,981	178	233,461
Other	15,350	14,760	7	517
Total exposure	**813,268**	**738,372**	**18,046**	**394,527**

[1] Including exposures secured by real estate.

Note 44:
Credit risk disclosures cont.

Exposure secured by collaterals, guarantees and credit derivatives

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	224	225,852
Other	15,761	15,223	0	456
Total exposure	**782,782**	**718,646**	**14,599**	**373,429**

[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 2016	31 Dec 2015
Financial collateral	0.7%	1.5%
Receivables	2.0%	1.7%
Residential real estate	61.8%	62.1%
Commercial real estate	20.7%	17.6%
Other physical collateral	14.8%	17.1%
Total	**100.0%**	**100.0%**

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 2016 NOKm 1,502 up from NOKm 1,952 one year ago, while past due loans for household customers increased to NOKm 5,587 (NOKm 5,139).

	31 Dec 2016		31 Dec 2015	
NOKm	Corporate customers	Household customers	Corporate customers	Household customers
6-30 days	795	4,381	1,001	3,864
31-60 days	383	665	432	631
61-90 days	102	146	101	169
>90 days	222	395	418	476
Total	**1,502**	**5,587**	**1,952**	**5,139**
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 64% (61%) of the corporate volume represents loans up to NOK 450 per customer.

	31 Dec 2016		31 Dec 2015	
Size in NOKm	Loans NOKbn	%	Loans NOKbn	%
0-90	77,366	31%	73,412	29%
90-450	81,355	33%	80,967	32%
450-900	49,635	20%	55,628	22%
900-2250	38,977	16%	36,098	14%
2250-4500	0	0%	7,247	3%
>4500	0	0%	0	0%
Total	**247,333**	**100%**	**253,352**	**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 General Meeting of Nordea Bank Norge ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nordea Bank Norge ASA, in our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans to customers Accounting for loans to customers is complex and require subjective judgments over both timing of recognition of impairment and the estimation of the size of any such impairment allowance. The bank makes allowances for incurred losses both on an individual basis for individually assessed loans and on a collective basis. Important areas of impairment of loans to customers relate to: • Identification of impaired loans including completeness of the customer accounts that are included in the impairment calculation • Assumptions and judgments made by management underlying the calculation of individual and collective impairment allowances, including valuation of collateral held and estimated future cash flows Refer to the Annual Report note 1.13, note 13 and note 44 for a description of credit risk and allowance for loan losses.	Our audit included a combination of testing of internal controls over financial reporting and substantive testing. We assessed and tested internal controls over: • Rating and scoring of customers • Individually assessed loans impairment calculation • Collectively assessed loan impairment calculation We concluded that we could rely on the controls we tested for the purposes of our audit. We performed detailed testing on a sample of loans to ascertain whether we concur with the risk assessment as expressed by the internal rating or scoring, without identifying findings of significance. We had a special focus on loans to customers in the shipping, oil and offshore services. We tested impairment calculation on a sample of significant impaired loans including assessment of expected future cash flow without identifying findings of significance. In addition, we examined a sample of loans and advances which had not been identified by management as impaired. We did not identify additional indications of impaired loans as a result of this test. We also assessed the appropriateness of relevant parameters in the collective impairment model. Our judgment indicates that the assumptions used by management were reasonable.
IT systems supporting processes over financial reporting The bank's financial accounting and reporting processes are heavily	

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dependent on complex systems and there is a risk that automated accounting procedures and related IT dependent manual controls are not designed and operating effectively. This can lead to uncertainty related to ongoing IT operations and risk of misstatements in the financial reporting. Particular area of focus related to change management controls and logical access controls.	We place reliance on IT general controls for the applications, systems and related platforms that supports the bank's accounting and financial reporting. For relevant IT systems and controls relating to financial reporting we assessed and tested the design and operating effectiveness. We examined the framework of governance over the bank's IT organisation and the controls over program development and changes, access to program and data and IT operations. • For logical access to programs and data, audit activities included testing issuing of new access, removal of access rights and that access rights were periodically monitored for appropriateness. • Other areas tested included security configurations, controls over changes to IT-systems including appropriate segregation of duties. Additional substantive testing procedures have been performed due to deviations in certain IT controls within change management controls and logical access controls. The combination of our test of IT controls and substantive testing performed gave us sufficient evidence to enable us to rely on the operation of the bank's IT systems that were relevant for financial reporting.
Pensions and settlement of the defined benefit plan The bank has determined to discontinue the use of defined benefit plans and transfer the employees over to a defined contribution plan. We have focused on this event because of the judgmental nature of the assumptions underlying the actuarial calculations which impact the measurement of pension cost in profit and loss. The agreements underlying the decision also impact the accounting for the settlement.	To assess the profit and loss impact of the settlement of the defined benefit plan, we have read and understood the decisions, agreements and terms underlying the transfer from defined benefit plans to defined contribution plans. We have discussed the accounting implications with management and assessed these against the accounting standards for pensions. The presentation and classification were found to be in line with the accounting standards. An external actuary has provided the bank with an actuary report which shows the pension cost, the assumptions used in the calculations and the net remaining pension obligation. We have reconciled the

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See note 32 for a description of the treatment of the pension plans in the bank.

calculations with the bank's accounting and disclosures and found no material deviations.

We have had discussions with the external actuary to evaluate their objectivity, competence and the calculation method used in the calculations.

We have assessed the demographic and economic assumptions used in the calculations against external expectations and found them in all material respect in agreement. The assumptions for salary levels, age and length of membership and premium payments were reconciled with documentation from the bank with no material deviations.

We have recomputed the return on plan assets and interest expense by using the same economic assumptions as the actuary with no material deviations.

In addition, we have inspected the accounting for the settlement with the insurance company taking over the employees' pension rights without detecting material deviations.

Valuation of financial instruments held at fair value

Significant portfolios of financial instruments are valued based on models and certain assumptions that are not observable by third parties.

Important areas in valuation of financial instruments held at fair value relate to:

- Framework and policies relating to models and valuation;
- Internal controls relating to fair value hierarchy, fair value adjustments, price testing and model control and governance; and
- Levelling and disclosures of financial instruments

Refer to the Annual Report note 1.4, note 1.10 and note 39 for a description of the

We assessed and tested the design and operating effectiveness of the controls over:

- the identification, measurement and oversight of valuation of financial instruments
- fair value hierarchy, fair value adjustments and independent price verification
- model control and governance

We examined the bank's independent price verification processes, model validation and approval processes, controls over data feeds and inputs to valuation and the bank's governance and reporting processes and controls.

We concluded that we could rely on the controls we tested for the purposes of our audit.

For the valuations dependent on unobservable inputs or which involve a higher degree of judgement, we assessed the assumptions, methodologies and models

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valuation of financial assets and liabilities measured at fair value.	used by the bank. We performed an independent valuation of a sample of positions. In respect of fair value adjustments, specifically Credit Valuation Adjustment, Debit Valuation Adjustment and Funding Valuation Adjustment for derivatives we assessed the methodology applied, underlying models and assumptions made by the bank and compared it with our knowledge of current industry practice. We tested the controls over the data inputs to the underlying models and on a sample basis tested underlying transactions back to supporting evidence. These tests did not identify any findings of significance.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility, key financial figures, quarterly development and five year overview, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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, 3 February 2017
PricewaterhouseCoopers AS

Erik Andersen
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

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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 2016 including consolidated comparative figures as at 31 December 2015 (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 2016 and as at 31 December 2015 and of the results of the group's operations and cash flows for the year 2016 and the year 2015.

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 AB (publ)[1]
3 February 2017

Björn Wahlroos
Chairman

Marie Ehrling
Vice Chairman

Tom Knutzen
Board member

Robin Lawther
Board member

Toni H. Madsen
Board Member[2]

Lars G Nordström
Board member

Gerhard Olsson
Board Member[2]

Hans Christian Riise
Board Member[2]

Sarah Russell
Board member

Silvija Seres
Board member

Kari Stadigh
Board member

Birger Steen
Board member

Casper von Koskull
President and Group CEO

[1] CEO and Board of Directors in Nordea Bank AB (publ), surviving entity after the merger between Nordea Bank Norge ASA and Nordea Bank AB (publ) effective as of 2 January 2017

[2] Employee representative

Board of Directors Nordea Bank AB (publ)

The Chief Executive Officer is Casper von Koskull.

Björn Wahlroos
Born 1952. Board Chairman of Sampo plc and UPM-Kymmene Corporation. Board member since 2008 and Chairman since 2011.

Marie Ehrling
Born 1955. Board chairman of TeliaSonera AB (publ) and Securitas AB (publ). Vice chairman of Axel Johnson AB. Board member since 2007 and Vice Chairman since 2011.

Tom Knutzen
Born 1962. CEO of Jungbunzlauer Suisse AG and Board Chairman of several group companies.
Board member of FLSmidth & Co A/S. Board member since 2007.

Robin Lawther
Born 1961. Board member of Oras Invest Ltd. Board member since 2014.

Lars G Nordström
Born 1943. Board Chairman of Vattenfall AB. Board member of Viking Line Abp. Board member since 2003.

Sarah Russell
Born 1962. CEO Aegon Asset Management Holdings NV and Board member of several other group companies. Vice Chairman of the Supervisory Board of La Banque Postale Asset Management SA. Board member since 2010.

Silvija Seres
Born 1970. Board member of Enoro Holding AS, Academedia AB, Syncron AB and Eidsiva Energi AS. Board member since 2015.

Kari Stadigh
Born 1955. Group CEO and President of Sampo plc.
Board Chairman of If P&C Insurance Holding Ltd and Mandatum Life Insurance Company Limited. Board member of Nokia Corporation and Waypoint Group Holding Ltd. Board member since 2010.

Birger Steen
Born 1966. CEO of Parallels, Inc. Board member of Schibsted ASA. Board member since 2015.

Employee Representatives

Hans Christian Riise

Toni H. Madsen

Gerhard Olsson

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