dnbnor.no

4

Quarterly report
Fourth quarter 2010

(preliminary and unaudited)

DnB NOR

Key figures

Income statement

Amounts in NOK million	4th quarter 2010	4th quarter 2009	Full year 2010	Full year 2009
Net interest income	6 153	5 606	23 436	22 633
Net other operating income	4 553	3 160	16 156	14 994
Ordinary operating expenses	4 610	4 319	17 920	18 114
Other expenses	0	338	591	796
Pre-tax operating profit before write-downs	6 096	4 109	21 081	18 717
Net gains on fixed and intangible assets	26	19	24	26
Write-downs on loans and guarantees	529	1 517	2 997	7 710
Pre-tax operating profit	5 593	2 610	18 108	11 032
Taxes	367	1 001	4 121	4 086
Profit from operations and non-current assets held for sale, after taxes	57	80	75	80
Profit for the period	**5 284**	**1 689**	**14 062**	**7 026**
Profit attributable to shareholders	5 349	2 122	14 814	8 585
Profit attributable to minority interests	(65)	(433)	(752)	(1 559)

Balance sheet

Amounts in NOK million	Full year 2010	Full year 2009
Total assets	1 861 620	1 823 453
Lending to customers	1 170 341	1 114 886
Deposits from customers	641 914	590 745
Total equity	111 196	101 403
Average total assets	1 969 557	1 905 708
Total combined assets	2 140 868	2 075 824

Key figures

	4th quarter 2010	4th quarter 2009	Full year 2010	Full year 2009
Average combined spread for lending and deposits (per cent)	1.17	1.13	1.15	1.15
Cost/income ratio (per cent)	43.1	49.3	47.6	48.1
Write-downs relative to net lending to customers (per cent)	0.18	0.53	0.26	0.67
Return on equity (per cent)	19.6	10.1	13.6	10.6
Earnings per share (NOK)	3.25	1.58	8.66	6.43
Dividend per share (NOK) [1)]	-	-	4.00	1.75
Tier 1 capital ratio at end of period (per cent)	10.1	9.3	10.1	9.3
Capital adequacy ratio at end of period (per cent)	12.4	12.1	12.4	12.1
Share price at end of period (NOK)	81.90	62.75	81.90	62.75
Price/book value	1.20	1.04	1.20	1.04

1) *Proposed dividend for 2010.*

There has been no full or partial external audit of the fourth quarter report and the fourth quarter accounts, though the report has been reviewed by DnB NOR's Group Audit. The report has also been reviewed by the Audit Committee.

Fourth quarter and full year report 2010

Fourth quarter 2010

DnB NOR recorded very healthy profits of NOK 5 284 million in the fourth quarter of 2010, a significant increase from NOK 1 689 million in the year-earlier period and a marked improvement from NOK 3 038 million in the third quarter of 2010. The profit figure is one of the best ever. The rise in profits reflected both higher income and lower write-downs on loans. Pre-tax operating profits before write-downs came to NOK 6 096 million, up from NOK 4 109 million in the fourth quarter of 2009. The high levels of activity in the fourth quarter also ensure a sound basis for operations in 2011.

The average lending volume rose by NOK 34.9 billion or 3.1 per cent from the year-earlier period. The increase reflects both the improved economic situation and greater market activity. Deposit volumes were up 7.7 per cent from the fourth quarter of 2009 and rose 3.3 per cent from the third quarter of 2010.

Relative to the 3-month money market rate, lending spreads widened by 0.06 percentage points from the fourth quarter of 2009 and 0.1 percentage points from the third quarter of 2010. Net interest income totalled NOK 6 153 million in the fourth quarter of 2010, a significant increase of close to 10 per cent from the fourth quarter of 2009.

Net other operating income came to NOK 4 553 million, up 44.1 per cent from the fourth quarter of 2009. The increase reflected, among other things, healthy income in DnB NOR Markets and Vital. Other operating income is very volatile in relation to mark-to-market adjustments, and the level of such income may vary in the future.

Ordinary operating expenses increased by 6.7 per cent, from NOK 4 319 million in the fourth quarter of 2009 to NOK 4 610 million in the October through December period in 2010. There was a rise in IT expenses from the fourth quarter of 2009, while other expenses remained relatively unchanged.

Write-downs on loans and guarantees totalled NOK 529 million in the fourth quarter, a decline from NOK 643 million in the third quarter of 2010 and a significant reduction from NOK 1 517 million in the fourth quarter of 2009. The level of write-downs in Norwegian operations was relatively stable, and DnB NOR's portfolio quality is sound. Write-downs in DnB NORD showed a slight increase from the third to the fourth quarter, but are expected to decline over the next few quarters.

Return on equity was 19.6 per cent, up from 10.1 per cent in the October through December period in 2009. Earnings per share were NOK 3.25 and NOK 1.58, respectively, for the same periods.

DnB NOR's scores in reputation and customer satisfaction surveys continued to improve during the fourth quarter of 2010, and greater customer activity contributed to the good results.

Income statement for the fourth quarter

Net interest income

Amounts in NOK million	4th quarter 2010	Change	4th quarter 2009
Net interest income	6 153	547	5 606
Lending and deposit volumes		223	
Lending and deposit spreads		237	
Exchange rate movements		(53)	
Equity and non-interest-bearing items		223	
Long-term funding costs		(158)	
Interbank funding and interest rate instruments		(38)	
Other net interest income		113	

Net interest income rose by 9.8 per cent from the fourth quarter of 2009. The average lending volume increased by NOK 34.9 billion from the fourth quarter of 2009 and by NOK 16 billion from the third quarter of 2010. The improvement in the economy and the increase in customer activities helped boost lending growth. Adjusted for exchange rate movements, there was a NOK 46.4 billion rise in lending volume from the fourth quarter of 2009.

Relative to the 3-month money market rate, lending spreads widened by 0.06 percentage points from the fourth quarter of 2009. After the financial crisis, the real cost of required long-term funding is significantly higher than the 3-month money market rate. Thus, it will be necessary to increase lending spreads as and when lower-priced funding raised in previous periods must be replaced by new, higher-priced funding.

Deposit volumes increased by NOK 46.2 billion from the fourth quarter of 2009, while deposit spreads widened by 0.04 percentage points. However, there was continued strong competition for deposits. The ratio of deposits to lending was 54.8 per cent at end-December 2010, up 1.8 percentage points from a year earlier.

Net other operating income

Amounts in NOK million	4th quarter 2010	Change	4th quarter 2009
Net other operating income	4 553	1 393	3 160
Net stock market-related income		604	
Net financial and risk result from Vital [1]		281	
Net other commissions and fees		184	
Net gains on foreign exchange and interest rate instruments [2]		123	
Profit from associated companies		121	
Real estate broking		24	
Net income from non-life insurance		5	
Other operating income		51	

1) *Guaranteed returns and allocations to policyholders deducted.*
2) *Excluding guarantees.*

Net other operating income rose by 44.1 per cent from the fourth quarter of 2009. Due to a general improvement in financial markets, there was a healthy profit trend in DnB NOR Markets and Vital. In addition, there was an increase in commissions and fees receivable due to the improved economic situation, as well as higher income from associated companies, mainly Eksportfinans.

Operating expenses

Amounts in NOK million	4th quarter 2010	Change	4th quarter 2009
Operating expenses	4 610	(47)	4 657
Cost programme		(174)	
Wage and price inflation		137	
IT expenses		254	
Operational leasing		49	
Performance-based pay		36	
Impairment losses for goodwill and intangible assets		(338)	
Pensions		(66)	
Other operating expenses		56	

The Group's total expenses were reduced by NOK 47 million from the fourth quarter of 2009. Figures for the fourth quarter of 2009 included impairment losses for goodwill and other intangible assets totalling NOK 338 million, while there were no such write-downs in the fourth quarter of 2010. Thus, the Group's ordinary operating expenses increased by approximately NOK 300 million from the fourth quarter of 2009. Particularly low IT system development costs in the October through December period in 2009 was the main factor behind the rise in expenses. The Group's cost programme compensated for wage and price inflation and an increase in market activities during the period. The programme measures include the streamlining of the branch structure, IT systems, procurement and internal processes, which have resulted in significant cost reductions.

Write-downs on commitments

Write-downs on loans totalled NOK 529 million for the quarter, down 65 per cent or NOK 988 million from the fourth quarter of 2009. Write-downs also showed a slight decline from the third quarter of 2010 and appear to have stabilised at a level which reflects the generally high quality of the portfolios.

Excluding DnB NORD, individual write-downs came to NOK 553 million in the fourth quarter of 2010, which represented a slight increase from the year-earlier period.

Individual write-downs in DnB NORD totalled NOK 407 million in the fourth quarter of 2010, down from NOK 768 million in the year-earlier period. The level of write-downs in DnB NORD remained high relative to the loan portfolio. However, a more positive macroeconomic trend in the Baltic region resulted in a pronounced reduction in write-down levels compared with 2009. Total write-downs in DnB NORD represented 1.95 per cent of the loan portfolio, a decrease from 4.40 per cent in the fourth quarter of 2009.

Taxes

The DnB NOR Group's tax charge for the fourth quarter of 2010 was NOK 367 million, NOK 634 million lower than in the year-earlier period. Relative to pre-tax operating profits, the tax charge was reduced from 38.4 to 6.6 per cent between the periods. Tax-exempt income on shares in Vital was the main factor behind the reduced tax charge.

Business areas

Activities in DnB NOR are organised in the business areas Retail Banking, Large Corporates and International, DnB NOR Markets and Insurance and Asset Management. The business areas operate as independent profit centres and have responsibility for serving all of the Group's customers and for the total range of products. Throughout 2010, DnB NOR owned 51 per cent of DnB NORD's operations. With effect from 23 December 2010, however, DnB NOR took over all shares in the company. Operations were organised under Large Corporates and International, but will still be regarded as a separate profit centre.

Retail Banking

Retail Banking serves personal customers and small and medium-sized companies in the regional network in Norway. More coordinated operations in local markets will strengthen customer relationships and increase customer satisfaction.

Income statement in NOK million	4th quarter 2010	4th quarter 2009	Change
Net interest income	3 631	3 595	36
Other operating income	781	850	(69)
Income attributable to product suppliers	347	347	1
Total income	4 760	4 792	(32)
Ordinary operating expenses	2 490	2 324	165
Cost attributable to product suppliers	187	203	(15)
Impairment losses for goodwill and intangible assets	0	102	(102)
Total operating expenses	2 677	2 629	48
Pre-tax operating profit before write-downs	2 083	2 162	(80)
Net gains on fixed assets	5	0	4
Net write-downs on loans	362	344	18
Pre-tax operating profit	1 725	1 818	(93)
Average balance sheet items in NOK billion			
Net lending to customers	748.3	719.6	28.7
Deposits from customers	382.1	366.8	15.2
Key figures in per cent			
Return on allocated capital [1)]	23.4	26.4	
Cost/income ratio	56.2	52.7	
Ratio of deposits to lending	51.1	51.0	

1) Calculated on the basis of risk-adjusted capital

Retail Banking showed a stable and healthy performance trend in 2010. Pre-tax operating profits were down 5.1 per cent in the fourth quarter of 2010 compared with the year-earlier period. Strong competition in the Norwegian market and rising costs related to long-term funding put pressure on interest income. Retail Banking maintained strict cost control, though higher IT expenses and an increase in depreciation on operational leasing due to rising volumes caused a certain increase in ordinary operating expenses. Net write-downs on loans represented 0.19 per cent of average lending, on a level with the fourth quarter of 2009. Net lending to customers rose by 4.0 per cent. The increase was primarily in loans to private individuals, though there was also rising growth in corporate lending through 2010. The quality of the loan portfolios was sound. Deposits increased by 4.2 per cent from the fourth quarter of 2009.

Large Corporates and International

Large Corporates and International is responsible for serving the largest Norwegian corporate customers and for the Group's entire international banking operations. Relationship management based on long experience and a broad range of expertise will build strong, long-term and profitable customer relationships both in the domestic market and internationally within the Group's selected priority areas.

Income statement in NOK million	4th quarter 2010	4th quarter 2009	Change
Net interest income	1 773	1 440	333
Other operating income	388	397	(9)
Income attributable to product suppliers	661	357	304
Total income	2 822	2 194	628
Operating expenses	533	434	99
Cost attributable to product suppliers	266	164	102
Total operating expenses	799	598	201
Pre-tax operating profit before write-downs	2 023	1 595	427
Net write-downs on loans	190	186	5
Pre-tax operating profit	1 833	1 410	423
Average balance sheet items in NOK billion			
Net lending to customers [1]	354.9	345.5	9.4
Deposits from customers [1]	247.2	221.0	26.2
Key figures in per cent			
Return on allocated capital [2]	21.3	13.3	
Ordinary cost/income ratio	28.3	27.3	
Ratio of deposits to lending	69.6	64.0	

1) Nominal values, including lending and deposits from credit institutions

2) Calculated on the basis of risk-adjusted capital

Higher activity levels, rising volumes and wider lending spreads contributed to strong income growth compared with the fourth quarter of 2009. Pre-tax operating profits were up 30 per cent from the year-earlier period. Average net lending to customers increased by 2.7 per cent from the fourth quarter of 2009, while deposits were up 11.8 per cent. There was strong competition for deposits, and deposit spreads were under pressure. The level of net write-downs on loans was relatively low at 0.21 per cent of average lending in the fourth quarter of 2010, unchanged from the year-earlier period. Portfolio quality remained sound.

DnB NORD

Operations in DnB NORD, which are mainly concentrated in the Baltic region and Poland, will be continued as a division in Large Corporates and International. The process of integrating operations into DnB NOR started immediately after the full acquisition of DnB NORD in December 2010. DnB NORD will continue to be regarded as a separate profit centre.

Income statement in NOK million	4th quarter 2010	4th quarter 2009	Change
Net interest income	355	369	(13)
Other operating income	120	182	(63)
Total income	475	551	(76)
Ordinary operating expenses	342	400	(57)
Impairment losses for goodwill and intangible assets	0	368	(368)
Total operating expenses	342	768	(426)
Pre-tax operating profit before write-downs	133	(217)	350
Net gains on fixed assets	13	(15)	29
Net write-downs on loans	304	845	(541)
Pre-tax operating profit	(159)	(1 078)	919
Average balance sheet items in NOK billion			
Net lending to customers	61.7	75.9	(14.2)
Deposits from customers	24.0	20.0	4.0
Key figures in per cent			
Return on allocated capital [1]	(11.2)	(28.9)	
Ordinary cost/income ratio	72.1	72.6	
Ratio of deposits to lending	38.9	26.4	

1) Calculated on the basis of risk-adjusted capital

Average net lending to customers was reduced by almost 19 per cent from the fourth quarter of 2009 to the corresponding period in 2010. The decline reflected the downscaling of DnB NORD's operations in Denmark and Finland and the impact of the global financial crisis, which has seriously affected the Baltic region. The reduction in lending in Denmark and Finland was partly due to the transfer of a portfolio to DnB NOR at year-end 2009. In consequence of lower lending volumes, there was a 13.8 per cent decline in income compared with the fourth quarter of 2009. Cost efficiency measures and the downscaling of operations brought down ordinary operating expenses. The level of net write-downs remained high, but was reduced from 4.40 per cent of average lending in the fourth quarter of 2009 to 1.95 per cent in 2010. High write-downs in the Danish portfolio had a negative effect on the write-down percentage for the fourth quarter of 2010. Write-downs in the Baltic region and Poland represented 1.65 per cent in the October through December period.

DnB NOR Markets

DnB NOR Markets is Norway's largest investment bank, serving customers from DnB NOR's head office in Oslo, 13 regional sales desks in Norway, international offices and via electronic channels.

Income statement in NOK million	4th quarter 2010	4th quarter 2009	Change
FX, interest rate and commodity derivatives	387	311	75
Investment products	85	135	(49)
Corporate finance	365	130	235
Securities services	60	58	3
Total customer revenues	897	634	263
Market making/trading revenues	490	597	(108)
Interest income on allocated capital	35	28	7
Total income	1 422	1 259	163
Operating expenses	467	459	8
Pre-tax operating profit	955	800	155
Key figures in per cent			
Return on allocated capital [1]	49.6	41.5	
Cost/income ratio	32.8	36.5	

1) Calculated on the basis of risk-adjusted capital

DnB NOR Markets' level of profits in the fourth quarter of 2010 reflected brisk activity levels, which ensured sound growth in customer-related revenues. DnB NOR Markets was the largest brokerage house on Oslo Børs within trading in and issues of both equities, bonds and commercial paper. Increasing use of electronic trading caused pressure on prices, which was partly counteracted by rising volumes. Income from proprietary trading and other market making reflected a normalisation of the markets and less volatility compared with 2009.

Insurance and Asset Management

The Insurance and Asset Management business area is responsible for life insurance, pension savings, asset management and non-life insurance in the DnB NOR Group.

Income statement in NOK million	4th quarter 2010	4th quarter 2009	Change
Total income	1 260	930	329
Operating expenses	628	599	29
Pre-tax operating profit	632	332	301
Tax	(663)	(763)	100
Profit after tax	1 295	1 094	201
Balances in NOK billion (end of period)			
Assets under management	527.5	485.6	41.9
Key figures in per cent			
Return on allocated capital [1)	36.2	47.0	
Cost/income ratio	49.8	64.4	

1) *Calculated on the basis of risk-adjusted capital*

Vital

Income statement in NOK million	4th quarter 2010	4th quarter 2009	Change
Interest result	3 222	1 353	1 869
- of which property revaluations	*300*	*5*	*295*
Application of additional allocations	(407)	(173)	(234)
Risk result	(9)	(70)	62
Administration result	(62)	2	(64)
Profit on risk and guaranteed rate of return	135	113	23
Other	2	(12)	14
Allocations to policyholders	2 290	908	1 382
Net profit in Vital	591	304	287
Tax charge	(672)	(771)	99
Profit from Vital	1 263	1 075	188
Balances in NOK billion (end of period)			
Assets under management	247.1	1.9	245.2
Key figures in per cent			
Return on allocated capital [1)	38.9	50.8	

1) *Calculated on the basis of risk-adjusted capital*

The improved financial market situation and healthy financial management operations ensured sound profits to both policyholders and the owner. The recorded return on the common portfolio was 2.3 per cent in the fourth quarter of 2010, up from 1.5 per cent in the year-earlier period. The value-adjusted return was 2.7 per cent in the October through December period in 2010. There was a return on the corporate portfolio of 2.0 per cent in the same period of 2010. The risk result improved compared with 2009 in spite of an upward adjustment of life expectancy, which entailed an increase in reserves in the fourth quarter of 2010.

DnB NOR Asset Management

Income statement in NOK million	4th quarter 2010	4th quarter 2009	Change
Net interest income	(1)	6	(7)
Commission income			
- from retail customers	90	73	17
- from institutional clients	122	131	(9)
Other income	4	0	3
Total income	214	209	6
Operating expenses	147	143	5
Pre-tax operating profit before write-down	67	66	1
Net gains on fixed assets	0	0	0
Pre-tax operating profit	67	66	1
Balances in NOK billion (end of period)			
Asset under management	479.2	441.3	37.9
Key figures in per cent			
Return on allocated capital [1)	35.7	29.7	
Cost/income ratio	68.8	68.2	

1) *Calculated on the basis of risk-adjusted capital*

DnB NOR Asset Management showed healthy asset management performance in the fourth quarter of 2010. Assets under management rose by 8.6 per cent from end-December 2009 to end-December 2010. A higher level of activity in Retail Banking gave a rise in mutual fund sales in the fourth quarter of 2010. There was a positive trend in sales and customer satisfaction in the institutional market in both Norway and Sweden. Cost levels remained stable.

DnB NOR Skadeforsikring

DnB NOR Skadeforsikring is in a build-up phase and a period of further growth. Non-life insurance products are sold mainly through the bank's distribution network.

Full year results 2010

DnB NOR recorded profits of NOK 14 062 million in 2010, a major improvement from NOK 7 026 million in 2009. Higher income and lower costs improved performance, and lower write-downs on loans had a positive effect on profits. Profit figures for 2010 also reflected non-recurring income. Pre-tax operating profits before write-downs rose from NOK 18 717 million in 2009 to NOK 21 081 million in 2010. The Group reached its financial targets for 2010 and showed sound progress in key areas.

Net interest income rose by NOK 803 million or 3.5 per cent from 2009 to 2010. Average lending volumes declined by 1.3 per cent, but rose by 4.9 per cent from year-end 2009 to end-December 2010. Average deposits increased by 3.1 per cent from 2009 to 2010. Average lending spreads remained unchanged from 2009, but increased towards the end of 2010. Relative to the 3-month money market rate, deposit spreads widened by 0.03 percentage points. Higher interest income on equity due to the capital increase in December 2009 also contributed to higher interest income.

At the start of 2009, the Group recorded particularly high income from hedging transactions related to currency and interest rate products due to the turbulent market situation in the wake of the financial crisis. Such income returned to a more normalised level in 2010. In the second quarter of the year, the Group recorded gains of NOK 1.2 billion in connection with the merger between the payment services company Nordito and the Danish PBS Holding. In addition, many units in the Group recorded a high level of operating income. Net other operating income rose by a total of NOK 1 162 million from 2009 to 2010.

The Group's cost programme helped ensure significant cost reductions during the period from 2008 through 2010 and was the key factor behind the NOK 194 million reduction in ordinary operating expenses, excluding impairment losses for goodwill and intangible assets, from 2009 to 2010. The cost programme compensated for wage and price inflation and partially for the increase in market activities during the period. The programme measures include the streamlining of the branch structure, IT systems, procurement and internal processes. The programme is ahead of schedule to reach the target of annual cost savings of NOK 2 billion by year-end 2012.

The improved macroeconomic situation contributed to lower write-downs. Write-downs were reduced by 61 per cent, from NOK 7 710 million in 2009 to NOK 2 997 million in 2010. The low write-downs confirmed DnB NOR's sound portfolio quality. Write-downs in DnB NORD remained relatively high in 2010, but markedly lower than in 2009. Individual write-downs in DnB NORD were down 32 per cent from 2009.

Return on equity was 13.6 per cent in 2010, up 3.0 percentage points from 2009. Earnings per share were NOK 8.66 in 2010 and NOK 6.43 in 2009. At year-end 2010, DnB NOR was the third largest company listed on Oslo Børs with a total market capitalisation of NOK 133 billion.

On 2 August 2010, DnB NOR exercised the option entitling the Group to purchase NORD/LB's 49 per cent ownership interest in DnB NORD. After negotiations between the parties, a purchase price of EUR 160 million was agreed on. DnB NORD was already fully consolidated in the DnB NOR Group's accounts before the transaction, and the acquisition thus had no immediate effect on the income statements and balance sheets. DnB NOR has initiated a process aimed at restructuring operations in DnB NORD and thus achieve commercial gains.

During 2010, DnB NOR stepped up customer and market activities, aiming to strengthen its market position in all segments. The market activities underpin the Group's vision and values. The Group climbed seven places in Synovate's annual corporate reputation ranking in 2010, and was among the best banks. In addition, the Group improved its scores in other reputation and customer satisfaction surveys in 2010. Thus, the Group's reputation was markedly enhanced during 2010. During the year, a new Internet portal was developed, and with effect from 1 January 2011, the Group's customer service phone is open 24 hours a day seven days a week. These measures have been well received by customers.

Sickness absence in DnB NOR's Norwegian operations was 4.3 per cent in 2010, a reduction from 5.2 per cent in 2009. The low sickness absence rate is a result of targeted measures.

For the second consecutive year, DnB NOR qualified for inclusion in the Dow Jones World Sustainability Index, DJSI World. This means that DnB NOR is regarded as being among the top 10 per cent within its industry worldwide in terms of sustainability.

Due to its strong position, DnB NOR had ample access to funding in 2010, though prices were much higher than before the financial crisis.

Due to the Group's healthy performance in 2010, the Tier 1 capital ratio rose from 9.3 per cent at year-end 2009 to 10.1 per cent at end-December 2010. Based on full IRB implementation, the Group would have had a potential Tier 1 capital ratio of 12.3 per cent at year-end 2010. The Board of Directors considers the Group to be well capitalised in relation to current regulatory requirements and its Nordic competitors. At year-end 2010, Standard & Poor's ranked DnB NOR as the eleventh best capitalised bank among the 75 largest international banks worldwide.

In consequence of the financial crisis, the market and the authorities have presented stricter capitalisation requirements for the financial industry. DnB NOR is preparing for the announced regulatory requirements. The Norwegian authorities are also considering further measures for the financial industry, based, among other things, on recommendations from the Financial Crisis Commission, which were circulated for public consultation in early 2011. One of the Board of Directors' key concerns is that the same competitive terms be established for all market participants.

The Board of Directors will propose a dividend of NOK 4.00 per share for 2010. The proposal is based on the Group's dividend policy, which aims to distribute 50 per cent of normalised annual profits as dividends.

Income statement for 2010

Net interest income

Amounts in NOK million	2010	Change	2009
Net interest income	23 436	803	22 633
Lending and deposit spreads		172	
Lending and deposit volumes		890	
Exchange rate movements		(517)	
Long-term funding		(570)	
Equity and non-interest-bearing items		412	
Instalment fees etc.		216	
Amortisation effects in the liquidity portfolio		(181)	
Other net interest income		381	

Net interest income rose by 3.5 per cent compared with 2009, while the average lending volume declined by 1.3 per cent. Adjusted for exchange rate movements, the average lending volume increased by 1.4 per cent. The underlying volume growth reflects both the improved economic situation and greater market activity.

Relative to the 3-month money market rate, average lending spreads were unchanged from 2009, but widened towards the end of 2010. After the financial crisis, the real cost of required long-term funding is significantly higher than the 3-month money market rate. Thus, it will be necessary to increase lending spreads as and when lower-priced funding raised in previous periods must be replaced by new, higher-priced funding.

Deposit volumes rose by NOK 18.6 billion from 2009, while deposit spreads widened by 0.03 percentage points. The Group stepped up its initiatives in the savings market, though the competition for deposits remained strong.

Net other operating income

Amounts in NOK million	2010	Change	2009
Net other operating income	16 156	1 162	14 994
Gain, Nordito		1 170	
Net stock market-related income		795	
Net financial and risk result from Vital [1)]		477	
Net other commissions and fees		314	
Unrealised losses on investment property in 2009		109	
Profit from associated companies		87	
Real estate broking		87	
Net income from non-life insurance		36	
Net gains on foreign exchange and interest rate instruments		(2 050)	
Other operating income		135	

1) Excluding guaranteed returns and allocations to policyholders.

Net other operating income increased by 7.8 per cent from 2009. Excluding the non-recurring gain from the merger between Nordito and the Danish PBS Holding, other operating income was virtually unchanged from 2009. The improvement in the Norwegian economy compared with 2009 gave a rise in income in many parts of the Group. There was a major reduction in trading income in DnB NOR Markets in consequence of a normalisation of such income compared with the extraordinarily high level after the financial crisis.

Operating expenses

Amounts in NOK million	2010	Change	2009
Total operating expenses	18 511	(400)	18 911
Cost programme		(681)	
Wage and price inflation		557	
Operational leasing		177	
IT expenses		312	
Pensions		(512)	
Impairment losses for goodwill and intangible assets		(206)	
Other operating expenses		(47)	

Operating expenses were reduced by 2.1 per cent from 2009 to 2010. Due to a change of strategy for housing loan activity in Sweden, impairment losses for goodwill of NOK 194 million were recorded. In addition, IT systems in DnB NORD were written down by NOK 346 million after new IT infrastructure plans in DnB NORD were approved. In 2010, DnB NOR's Board of Directors decided to discontinue the use of the Postbanken brand. Thus, the value of the brand was written down by NOK 51 million. These non-recurring items represented a total of NOK 591 million. In 2009, corresponding write-downs came to NOK 796 million.

Adjusted for impairment losses for goodwill and intangible assets, expenses were reduced by 1.1 per cent. The cost/income ratio was reduced from 48.1 per cent in 2009 to 47.6 per cent in 2010. The Group's cost programme compensated for the effects of wage and price inflation and partially for the increase in market activities during 2010. Moreover, non-recurring effects in 2010 related to pensions and IT system development had both cost-increasing and cost-reducing effects.

Write-downs on commitments

Write-downs on loans totalled NOK 2 997 million in 2010, down 61 per cent from NOK 7 710 million in 2009. The most pronounced decline took place in DnB NORD, though there was also a significant reduction in write-downs in Large Corporates and International. The decline in collective write-downs reflected the improved economic situation and better credit quality.

Excluding DnB NORD, individual write-downs came to NOK 1 811 million in 2010, down 33 per cent from 2009. Large Corporates and International recorded the largest reduction, though write-downs also declined in Retail Banking.

Individual write-downs in DnB NORD came to NOK 2 262 million in 2010, down from NOK 3 346 million in 2009. The reduction reflected the improved macroeconomic trend in the Baltic region.

Net non-performing and doubtful commitments totalled NOK 18.4 billion at end-December 2010, down NOK 0.7 billion from year-end 2009. There was a rise in non-performing commitments in the first quarter of 2010, while the rest of the year saw a reduction. Net non-performing and doubtful commitments represented 1.55 per cent of lending volume as at 31 December 2010, a reduction from 1.71 per cent a year earlier.

Taxes

The DnB NOR Group's total tax charge for 2010 was NOK 4 121 million, up NOK 35 million from 2009. Relative to pre-tax operating profits, the tax charge declined from 37 to 23 per cent from 2009 to 2010. Tax-exempt income on shares in Vital was the main factor behind the reduced tax charge.

Balance sheet and liquidity

At end-December 2010, total combined assets in the DnB NOR Group were NOK 2 141 billion, an increase from NOK 2 076 billion a year earlier. Total assets in the Group's balance sheet were NOK 1 862 billion at year-end 2010 and NOK 1 823 billion a year earlier. Total assets in Vital were NOK 247 billion and NOK 232 billion, respectively, on the same dates.

Net lending to customers increased by NOK 55 billion or 4.9 per cent from year-end 2009 to end-December 2010. Adjusted for exchange rate movements, there was a 4.8 per cent increase. Customer deposits rose by NOK 51 billion or 8.7 per cent during the corresponding period. After adjusting for exchange rate movements, there was also an 8.7 per cent increase in deposits. The Group's ratio of customer deposits to net lending to customers increased from 53.0 per cent at end-December 2009 to 54.8 per cent a year later. The Group aims to increase the ratio of deposits to lending. The ratio of deposits to lending in DnB NOR Bank ASA was 93.3 per cent at year-end 2010, which proved that loans which were not financed through DnB NOR Boligkreditt, were largely financed through customer deposits.

In order to keep the Group's liquidity risk at a low level, the majority of loans are financed through customer deposits, long-term securities, subordinated loan capital and equity. The Group has a self-imposed limit whereby such long-term or stable funding must represent minimum 90 per cent of customer lending. At year-end 2010, this share was 104.6 per cent. With respect to short-term funding, conservative limits have been set for refunding requirements. The Group stayed well within the established liquidity limits through 2010.

Throughout 2010, the short-term funding markets were sound and stable for banks with good credit ratings, and the access to funding with different maturities was close to normal. Competition for short-term funding increased during 2010, reflecting improved credit ratings for an increasing number of banks.

Financially strong banks generally had good access to long-term funding. At times, however, uncertainty regarding European sovereign debt had pronounced effects on price levels, and the markets were still challenging at the end of the year. Funding costs remained at a high level in 2010, partly because banks, due to new funding requirements, need to prepare for a larger share of long-term funding. The cost of long-term funding in 2010 remained considerably higher than during the period prior to the financial crisis for both DnB NOR and its competitors.

The Basel Committee's proposal for new, global standards for quantitative regulation of liquidity and funding in the banking sector, Basel III, will change existing framework conditions. The implementation of the new standards may present a challenge for many banks and will require major changes to the banks' balance sheet structure. DnB NOR is in the process of preparing for the announced regulatory requirements.

Risk and capital adequacy

DnB NOR quantifies risk by measuring risk-adjusted capital, which is a guiding factor for the Group's capital requirement. Net risk-adjusted capital declined by NOK 2.7 billion from year-end 2009, to NOK 58.8 billion.

Due to improved credit quality, risk-adjusted capital for credit declined by NOK 5.4 billion. Measured in Norwegian kroner, there was a moderate increase in credit volumes. The US dollar rate remained virtually unchanged from year-end 2009 to end-December 2010, thus the increase in credit exposure reflected actual growth. Risk-adjusted capital for market risk in life insurance rose by NOK 2.6 billion due to an increase in equity investments. The rise in other market risk reflects greater equity exposure and somewhat higher interest rate risk limits. Higher business volumes explain the developments in other risk categories.

Amounts in NOK billion	31 Dec. 2010	30 Sept. 2010	30 June 2010	31 Dec. 2009
Credit risk	45.5	46.1	48.9	50.9
Market risk	4.9	4.4	4.3	3.7
Market risk in life insurance	12.9	11.5	12.4	10.3
Insurance risk	1.8	1.7	1.6	1.6
Operational risk	7.7	7.7	7.8	7.2
Business risk	4.5	4.5	4.5	4.1
Gross risk-adjusted capital requirement	77.3	75.9	79.4	77.6
Diversification effect [1]	(18.5)	(17.3)	(18.1)	(16.2)
Net risk-adjusted capital requirement	58.8	58.6	61.3	61.5
Diversification effect in per cent of gross risk-adjusted capital requirement [1]	23.9	22.8	22.8	20.8

1) The diversification effect refers to the effect achieved by the Group in reducing risk by operating within several risk categories where unexpected losses are unlikely to occur at the same time.

Credit volumes in the corporate market increased somewhat both in Norway and internationally in 2010, while credit quality improved throughout the year in terms of both reduced probability of default and lower estimated write-downs. Shipping losses remained low in spite of significant deliveries of new vessels in most segments. China and other Asian countries maintained economic growth and ensured satisfactory utilisation of the fleet.

Credit quality also improved in that part of the portfolio which depends on developments in the Norwegian economy, primarily loans to private individuals and small and medium-sized businesses in Norway. The international financial crisis had little impact on Norwegian private households. 2010 saw continued low unemployment, healthy wage growth, low housing loan rates and an increase in housing prices. There was stable growth in the housing loan portfolio during 2010.

The Group was to some extent affected by the continued weak trend in the international economy, especially in the Baltic States. However, write-downs in DnB NORD were reduced in 2010, and the economies show signs of stabilisation. Still, the uncertainty relating to DnB NORD will continue, and economic developments in the Baltic States will be vital to the level of write-downs. There was a generally low level of write-downs in the Group's Norwegian operations.

During 2010, the Group made extensive efforts to ensure the value of problem commitments. A number of problem commitments were restructured, with a positive result.

There were extensive movements in share prices and exchange rates, as well as in various interest rate add-ons, through 2010. DnB NOR has moderate limits for its own direct market exposure, thus the effects on profits were correspondingly small. Due to large fluctuations in money market rates and in the relative margins between various currencies, however, there were significant changes in the value of derivative positions relative to the Group's funding when one currency is used to fund loans in another currency. These changes in value are generally of a temporary nature and will be reversed over time. The derivative contracts are considered to serve as hedges for the Group's funding costs, and the changes in value are not included in the calculations of risk-adjusted capital for market risk.

There was a rise in market risk in Vital during the year due to a rise in the share of equities in the company's investment portfolio from 13.7 per cent to 20.9 per cent from year-end 2009 to end-December 2010. The securities adjustment reserve increased by NOK 1.3 billion during 2010, to NOK 2.6 billion. Total additional allocations rose by NOK 0.1 billion to NOK 5.7 billion. There was a positive risk result in Vital before the required increase in reserves for higher life expectancy in the individual portfolio. In accordance with the escalation plan approved by Finanstilsynet, allocations of NOK 973 million were charged to the accounts in 2010 to cover the increase in reserves. The remaining required increase in reserves for 2011 and 2012 is estimated at approximately NOK 770 million. The life expectancy trend indicates that further increases in reserves must be expected over the coming years. In consequence of the consistently low interest rate levels, Finanstilsynet has decided to lower the maximum calculation rate to 2.5 per cent with effect from 1 January 2011 for new contracts and from 1 January 2012 for new entitlements in existing contracts.

A total of 454 operational loss events were registered during 2010, causing an overall net loss of NOK 182 million. Potential losses relating to the same events represented NOK 1 billion, roughly on a level with previous years. The majority of events and the largest losses were in the category "processing and routine errors" relating to the Group's products and services. The Group is working continually to increase the quality of processes and routines. As in 2009, there was a continued rise in the number of fraud-related events. However, the effects of most of these events were recorded as credit losses even though operational risk constitutes the underlying cause.

DnB NOR enjoyed a sound liquidity situation at end-December 2010. The average remaining term to maturity for the portfolio of senior bond debt was 3.6 years at year-end, an increase from 3.0 years a year earlier. The Group aims to achieve a sound and stable maturity structure for funding over the next five years.

Risk-weighted volume included in the calculation of the formal capital adequacy requirement was NOK 1 028 billion at end-December 2010, down NOK 24.2 billion from 2009. The main reason for the reduction was that the Group was granted permission in the fourth quarter of 2010 to use internal risk models, IRB measurement, for most of its credit portfolios for large corporate clients. The transitional rules, which will remain in effect through 2011, allow a maximum reduction in risk-weighted volume of 20 per cent. The transitional floor applied at year-end 2010. The Tier 1 capital ratio was 10.1 per cent at end-December 2010 and 9.3 per cent at year-end 2009, while the capital adequacy ratio was 12.4 per cent at year-end 2010.

The Basel Committee's proposal for new global standards for quantitative regulation of liquidity and funding in the banking sector, Basel III, entails stricter capital adequacy requirements. Even though the proposal was moderated somewhat during 2010, it remains conservative and may be challenging to fulfil for a number of banks. However, due to the size and structure of its capital base, the Group will be well positioned to meet the coming requirements.

Macroeconomic developments

Global economic growth was approximately 5 per cent in 2010, after a decline of 0.6 per cent in 2009. However, there were significant national and regional differences. Growth was strong in certain European industrialised countries, in China and in some other Asian countries, but weak in other countries. In some of the countries worst affected by heavy national debt, GDP showed a downward trend. In 2010, the eurozone entered its most serious crisis since it was established. After the implementation of strong fiscal stimulus measures to counteract the effects of the financial crisis, fiscal policy was tightened in several countries at the end of 2010 without a corresponding compensation through monetary policy. In several of these countries, the growth outlook is weak. Countries with high growth in 2010 largely returned to pre-2009 levels, but growth will probably not continue at the same pace in 2011. It is expected that growth in the OECD area will decline from 2.8 per cent in 2010 to 2.3 per cent in 2011. Global economic expansion is expected to remain higher as countries in regions other than Europe and North America are growing strongly. Traditional Norwegian exports are mainly oriented towards global markets and will continue to benefit from the growth in the global economy.

The Baltic States were hard hit during the financial crisis, but showed signs of recovery towards the end of 2010. GDP increased moderately in the three Baltic States at the end of 2010, whereas manufacturing production showed strong growth. The upturn in exports, particularly to Germany and the Nordic region, was an important reason for the turnaround, while domestic demand remained comparatively weak. Unemployment, which rose steeply throughout the crisis, seemed to have passed a peak at the end of 2010.

The Norwegian economy is assumed to be approaching normal activity growth, and unemployment appears to have stabilised. After a fall in GDP of 1.3 per cent in 2009, economic growth picked up in 2010, particularly during the second half of the year, and is estimated at approximately 2 per cent for the whole of 2010. Higher household demand for consumer goods and housing contributed to the positive trend. An expansionary monetary and fiscal policy also had a positive effect and will continue to stimulate growth in household demand. Investment in the mainland economy is increasing, and the decline in manufacturing investment appears to be approaching a turning point. The fall in manufacturing production has also been reversed, resulting in a new upturn. The decline in employment stopped towards the middle of 2010 and has subsequently risen somewhat. Unemployment has remained stable since end-June 2009.

Future prospects

The international economy is in a period of moderate growth, but the debt situation in many countries may slow down growth in Europe and the US, making future developments more uncertain. However, the economic forecasts for the total global economy are relatively positive. The favourable economic situation gives DnB NOR a platform to further strengthen its operations while recording relatively low write-downs. Improvement in the Baltic economies is expected to strengthen financial performance in DnB NORD. The increase in market activity, which is given high priority in the organisation, will also help DnB NOR maintain and enhance the Group's solid position in traditional market segments.

DnB NOR had good access to both short-term and long-term funding in 2010, but at considerably higher prices than before the financial crisis. DnB NOR expects to continue to enjoy good access to funding. However, prices are not expected to return to pre-crisis levels, partly due to new external parameters, which will probably result in large future funding requirements for banks.

The Group aims to enhance its market position in Norway by increasing its presence in areas where the Group has limited operations.

The cost programme is expected to reach the target of annual cost savings of NOK 2 billion by the end of 2012. DnB NOR will continue to give priority to the streamlining of operations across the Group, partly to compensate for an escalation of market activities.

The Retail Banking business area expects housing loans to account for the majority of lending growth, though lending to small and medium-sized businesses is also expected to grow. The price pressure on low-risk housing loans is expected to continue. The Large Corporates and International business area anticipates a certain rise in credit demand, coupled with a slight widening in average lending spreads and pressure on deposit spreads. In DnB NOR Markets, high demand and brisk activity levels are expected to continue. The Insurance and Asset Management business area has short-term challenges related to developments in the financial markets, but is well-positioned for future growth and profitability. Expectations of rising interest rates in the longer term will strengthen the business area's ability to generate sound profits. Profits in DnB NORD are expected to stabilise and then show a slight increase. In the longer term, growth in the Baltic States and Poland is expected to again surpass average European levels.

The financial industry is facing considerable changes in relevant framework conditions through, for example, the Basel III rules, including stricter capitalisation, liquidity and funding requirements. As a result of the capital increase in 2009 and sound profits in 2010, DnB NOR is in a satisfactory position to meet new requirements. The Group is, however, committed to giving input to the regulatory process to ensure that conditions will be as equal as possible across national borders, so that Norwegian banks will not be at a disadvantage compared with financial institutions in other countries.

At the start of 2011, subject to balanced framework conditions, the Group is well positioned to reach its financial targets.

Oslo, 9 February 2011
The Board of Directors of DnB NOR ASA

Anne Carine Tanum
(chairman)

Bjørn Sund
(vice-chairman)

Gunilla Berg

Bente Brevik

Per Hoffmann

Jørn O. Kvilhaug

Bent Pedersen

Tore Olaf Rimmereid

Ingjerd Skjeldrum

Rune Bjerke
(group chief executive)

Contents – quarterly accounts

Income statement

Amounts in NOK million	Note	DnB NOR Group 4th quarter 2010	4th quarter 2009	Full year 2010	Full year 2009
Total interest income	5	15 168	12 667	56 909	58 363
Total interest expenses	5	9 015	7 061	33 473	35 730
Net interest income	5	**6 153**	**5 606**	**23 436**	**22 633**
Commissions and fees receivable etc.	6	2 420	2 137	9 261	8 724
Commissions and fees payable etc.	6	511	521	2 220	2 069
Net gains on financial instruments at fair value	7	1 684	1 066	4 961	6 286
Net gains on assets in Vital		6 404	4 107	15 074	13 462
Guaranteed returns and allocations to policyholders in Vital		5 879	3 798	13 500	12 712
Premium income etc. included in the risk result in Vital		1 242	1 169	4 721	4 705
Insurance claims etc. included in the risk result in Vital		1 248	1 240	4 977	4 613
Premium income non-life insurance		273	221	1 009	593
Insurance claims etc. non-life insurance		249	201	918	538
Profit from companies accounted for by the equity method	6	72	(49)	180	93
Other income	6	343	268	2 565	1 063
Net other operating income	6	**4 553**	**3 160**	**16 156**	**14 994**
Total income		**10 706**	**8 766**	**39 592**	**37 627**
Salaries and other personnel expenses	8, 9	2 438	2 493	9 259	9 917
Other expenses	8	1 685	1 446	6 995	6 784
Depreciation and write-downs of fixed and intangible assets	8	487	718	2 256	2 210
Total operating expenses	8	**4 610**	**4 657**	**18 511**	**18 911**
Net gains on fixed and intangible assets		26	19	24	26
Write-downs on loans and guarantees	11	529	1 517	2 997	7 710
Pre-tax operating profit		**5 593**	**2 610**	**18 108**	**11 032**
Taxes	10	367	1 001	4 121	4 086
Profit from operations and non-current assets held for sale, after taxes		57	80	75	80
Profit for the period		**5 284**	**1 689**	**14 062**	**7 026**
Profit attributable to shareholders		5 349	2 122	14 814	8 585
Profit attributable to minority interests		(65)	(433)	(752)	(1 559)
Earnings/diluted earnings per share (NOK)		3.25	1.58	8.66	6.43
Earnings per share excluding operations held for sale (NOK)		3.22	1.52	8.62	6.37

Comprehensive income statement

Amounts in NOK million	DnB NOR Group 4th quarter 2010	4th quarter 2009	Full year 2010	Full year 2009
Profit for the period	5 284	1 689	14 062	7 026
Exchange differences arising from the translation of foreign operations	(44)	(4)	(90)	(1 096)
Comprehensive income for the period	**5 240**	**1 685**	**13 971**	**5 930**
Comprehensive income attributable to shareholders	5 333	2 170	14 865	8 076
Comprehensive income attributable to minority interests	(93)	(485)	(894)	(2 147)

Balance sheet

Amounts in NOK million	Note	DnB NOR Group 31 Dec. 2010	31 Dec. 2009
Assets			
Cash and deposits with central banks		16 198	31 859
Lending to and deposits with credit institutions		47 792	62 317
Lending to customers	12, 13	1 170 341	1 114 886
Commercial paper and bonds		204 204	225 415
Shareholdings	15	75 179	58 227
Financial assets, customers bearing the risk		23 506	21 337
Financial derivatives		78 156	70 072
Commercial paper and bonds, held to maturity	14	179 461	179 832
Investment property	16	36 838	33 381
Investments in associated companies		2 307	2 521
Intangible assets	17	7 164	7 644
Deferred tax assets		915	246
Fixed assets		7 789	5 482
Operations and non-current assets held for sale		1 271	1 255
Other assets		10 499	8 979
Total assets		**1 861 620**	**1 823 453**
Liabilities and equity			
Loans and deposits from credit institutions		257 931	302 669
Deposits from customers		641 914	590 745
Financial derivatives		60 871	53 019
Debt securities issued	18	501 668	493 732
Insurance liabilities, customers bearing the risk		23 506	21 337
Liabilities to life insurance policyholders		205 550	193 556
Insurance liabilities, non-life insurance		1 091	704
Payable taxes		4 865	9 093
Deferred taxes		116	525
Other liabilities		14 738	12 331
Operations held for sale		387	366
Provisions		4 308	4 923
Subordinated loan capital	18	33 479	39 051
Total liabilities		**1 750 424**	**1 722 050**
Minority interests		0	2 755
Share capital		16 232	16 231
Share premium reserve		22 609	22 609
Other equity		72 356	59 808
Total equity		**111 196**	**101 403**
Total liabilities and equity		**1 861 620**	**1 823 453**

Off-balance sheet transactions and contingencies 22

Statement of changes in equity

DnB NOR Group

Amounts in NOK million	Minority interests	Share capital [1)]	Share premium reserve	Other equity [1)]	Total equity [1)]
Balance sheet as at 31 December 2008	**4 211**	**13 327**	**11 697**	**52 041**	**81 275**
Profit for the period	(1 559)			8 585	7 026
Exchange differences arising from the translation of foreign operations	(587)			(509)	(1 096)
Comprehensive income for the period	(2 147)			8 076	5 930
Issue of share capital		2 961	10 912		13 874
Net purchase of treasury shares		(57)		(309)	(366)
Minority interests DnB NORD	693				693
Other minority interests	(2)				(2)
Balance sheet as at 31 December 2009	**2 755**	**16 231**	**22 609**	**59 808**	**101 403**
Profit for the period	(752)			14 814	14 062
Exchange differences arising from the translation of foreign operations	(142)			51	(90)
Comprehensive income for the period	(894)			14 865	13 971
Dividends paid for 2009 (NOK 1.75 per share)				(2 850)	(2 850)
Net purchase of treasury shares		1		(71)	(70)
Acquisition of NORD/LB's shares in DnB NORD	(1 855)			605	(1 250)
Other minority interests	(6)				(6)
Compensation for natural damage (DnB NOR Skadeforsikring)				(2)	(2)
Balance sheet as at 31 December 2010	**0**	**16 232**	**22 609**	**72 356**	**111 196**
Of which currency translation reserve:					
Balance sheet as at 31 December 2008	524			150	674
Comprehensive income for the period	(587)			(509)	(1 096)
Balance sheet as at 31 December 2009	(63)			(359)	(422)
Comprehensive income for the period	(142)			51	(90)
Acquisition of NORD/LB's shares in DnB NORD	205			(205)	0
Balance sheet as at 31 December 2010	0			(513)	(513)

1) *Of which treasury shares, held by DnB NOR Markets for trading purposes:*

	Minority interests	Share capital	Share premium reserve	Other equity	Total equity
Balance sheet as at 31 December 2009		*(57)*		*(302)*	*(359)*
Net purchase of treasury shares		*1*		*(71)*	*(70)*
Reversal of fair value adjustments through profit and loss				*(31)*	*(31)*
Balance sheet as at 31 December 2010		*(56)*		*(405)*	*(461)*

Cash flow statement

Amounts in NOK million	DnB NOR Group Full year 2010	Full year 2009
Operating activities		
Net receipts/payments on loans to customers	(53 499)	7 015
Net receipts on deposits from customers	51 286	15 999
Interest received from customers	43 692	47 321
Interest paid to customers	(10 986)	(12 294)
Net receipts/payments on the sale/acquisition of financial assets for investment or trading	4 992	(114 096)
Net receipts on commissions and fees	7 122	6 597
Payments to operations	(16 931)	(17 808)
Taxes paid	(8 874)	(1 070)
Receipts on premiums	15 171	16 326
Net receipts/payments on premium reserve transfers	727	(345)
Payments of insurance settlements	(12 936)	(12 069)
Other receipts	1 532	1 068
Net cash flow relating to operating activities	**21 296**	**(63 356)**
Investment activities		
Net payments on the acquisition of fixed assets	(4 027)	(1 118)
Receipts on the sale of long-term investments in shares	200	0
Payments on the acquisition of long-term investments in shares	(1 313)	0
Dividends received on long-term investments in shares	438	136
Net cash flow relating to investment activities	**(4 702)**	**(982)**
Funding activities		
Net receipts/payments on loans to/from credit institutions	(31 770)	124 259
Net payments on other short-term liabilities	(1 100)	(4 604)
Receipts on issued bonds and commercial paper	277 533	219 172
Payments on redeemed bonds and commercial paper	(257 013)	(286 177)
Redemptions of subordinated loan capital	(4 704)	0
Repurchase of own shares/share issue	(64)	13 732
Dividend payments	(2 850)	0
Interest receipts on funding activities	13 250	2 879
Interest payments on funding activities	(22 456)	(21 882)
Net cash flow from funding activities	**(29 173)**	**47 380**
Effects of exchange rate changes on cash and cash equivalents	**(153)**	**(3 771)**
Net cash flow	**(12 732)**	**(20 730)**
Cash as at 1 January	36 458	57 188
Net payments of cash	(12 732)	(20 730)
Cash at end of period *)	23 726	36 458

**) Of which: Cash and deposits with central banks*	*16 198*	*31 859*
Deposits with credit institutions with no agreed period of notice 1)	*7 528*	*4 599*

1) *Recorded under "Lending to and deposits with credit institutions" in the balance sheet.*

The cash flow statement shows receipts and payments of cash and cash equivalents during the period. The statement has been prepared in accordance with the direct method and has been adjusted for items that do not generate cash flows, such as accruals, depreciation and write-downs on loans and guarantees. Cash flows are classified as operating activities, investment activities or funding activities. Balance sheet items are adjusted for the effects of exchange rate movements. Cash is defined as cash and deposits with central banks, and deposits with credit institutions with no agreed period of notice.

Note 1 Accounting principles

The fourth quarter accounts 2010 have been prepared according to IAS 34 Interim Financial Reporting. A description of the accounting principles applied by the Group is found in the annual report for 2009. The annual and interim accounts are prepared according to IFRS principles as approved by the EU. The Group's accounting principles and calculation methods are essentially the same as those described in the annual report for 2009. New or amended standards which have an impact on the accounts of the DnB NOR Group as from 1 January 2010 are described below.

IFRS 3 – Business Combinations (revised)

The revised standard introduces certain changes and specifications with respect to the use of the acquisition method (the purchase method). Amendments relate to goodwill in step acquisitions, minority interests and contingent considerations. Acquisition costs in excess of issue and borrowing costs shall be expensed as they occur. The revised standard shall be applied from the first annual accounting period beginning on or after 1 July 2009. IFRS 3 (R) cannot be applied retrospectively. The Group introduced IFRS 3 (R) as from 1 January 2010.

IAS 27 – Consolidated and Separate Financial Statements (revised)

The revised standard gives extensive principles regarding the accounting treatment of changes in ownership interests in subsidiaries. The introduction of the revised standard implies that upon loss of control of a subsidiary, any residual holding in the former subsidiary must be measured at fair value and the gain or loss on the disposal recognised in profit or loss. In addition, the rules relating to the distribution of losses between the majority and the minority have been changed, whereby losses are to be charged to the non-controlling interests (minority interests), even if the balance sheet value of the minority interest will thus be negative. The revised standard shall be applied from the first annual accounting period beginning on or after 1 July 2009. The Group introduced IAS 27 (R) as from 1 January 2010.

Note 2 Important accounting estimates and discretionary assessments

When preparing the consolidated accounts, management makes estimates and discretionary assessments and prepares assumptions that influence the effect of the accounting principles applied and thus the recorded values of assets, liabilities, income and expenses. A more detailed account of important estimates and assumptions is presented in note 1 Important accounting estimates and discretionary assessments in the annual report for 2009.

The Norwegian Parliament passed an Act relating to the financing of a new contractual early retirement pension scheme (AFP) in February 2010. The new scheme entered into force as from 1 January 2011. The former AFP scheme applies only to employees who had selected early retirement prior to the parliamentary resolution and to those who reached 62 years of age and who had chosen the old scheme before it was terminated at the end of 2010. Upon the transition to a new AFP scheme, the former scheme will be discontinued.

Benefits provided under the new scheme are considered to be quite different from those provided under the former scheme and the transition to the new scheme is thus not to be regarded as a plan change, but as a curtailment and settlement of the former scheme. Employees who did not qualify for the former AFP scheme in 2010 have no future rights under the old scheme. This part of the pension commitments was settled in the first quarter of 2010.

The effect of terminating the commitments for employees born after 1948, including the related changes in estimates and employers' contributions, was calculated at NOK 367 million. The amount was recorded as income in the first quarter of 2010 and is included in the item 'pension expenses' under 'operating expenses' in the income statement.

The new AFP scheme should be recorded as a defined benefit multi-company scheme in the accounts. Thus far, no details have been presented on how the new commitments should be recorded in the accounts. The premium for the new AFP scheme is expected to be announced in the first quarter of 2011. The costs of the new AFP scheme are estimated to be at least as high as the Group's previous AFP costs.

Note 3 Changes in group structure

Merger between Nordito AS (Nordito) and PBS Holding AS (PBS)

DnB NOR Bank ASA previously had a 40 per cent ownership interest in Nordito AS. Operations in the Nordito Group included Teller AS and BBS (the Banks' Central Clearing House). PBS was engaged in the market for payment cards, payment solutions and exchange of payment information in Denmark. The merger was completed on 14 April 2010 with effect from 1 January 2009, with PBS as the acquiring company. After the merger, the company has changed its name to Nets. The Group has an 18.2 per cent ownership interest in Nets which is carried at fair value. In connection with the merger, BBS' properties in Oslo were demerged into a separate company, Nordito Property AS. DnB NOR has a 40 per cent ownership interest in the demerged company, which corresponds to its previous holding in Nordito. The ownership interest is accounted for by the equity method.

When calculating the gains generated by the transaction, the fair value of the total consideration received in the form of cash and shares in Nets and Nordito Property was assessed relative to the book value of the Nordito investment. The Group has received the following consideration:

- Consideration shares in Nets with an estimated fair value of NOK 1 226 million, plus dividend payments received of NOK 113 million.
- A 40 per cent ownership interest in Nordito Property AS. The fair value of the Group's holding was NOK 73 million.
- A cash consideration of NOK 168 million in connection with a reduction in capital in Nordito.
- A tax compensation of NOK 3 million relating to the transaction.

The total consideration was NOK 1 584 million, resulting in recorded gains for the DnB NOR Group of NOK 1 170 million. The merger between Nordito and PBS is a cross-border transaction and results in a taxable gain for Nordito's shareholders. 3 per cent of the shareholders' gains are recorded as income in accordance with the tax exemption model, whereby the gains are taxed at a rate of 0.84 per cent. The demerger of properties into Nordito Property AS was carried out in accordance with the tax continuity principle, whereby no tax is levied on Nordito or the DnB NOR Group.

Acquisition of all shares DnB NORD

On 6 December 2010, DnB NOR Bank ASA entered into an agreement with Norddeutsche Landesbank (NORD/LB) to acquire NORD/LB's 49 per cent of the share capital in Bank DnB NORD A/S for a total of EUR 160 million. The agreement was finalised on 23 December 2010. According to IAS 27 Consolidated and Separate Financial Statements, the purchase of minority interests is regarded as an equity transaction which does not need to fulfil the same acquisition analysis requirements as an acquisition whereby the owner obtains a controlling interest. In principle, the values prior to the acquisition will be retained, and any deviation between the book value of the acquired assets and the purchase price will be reflected in the Group's equity. The book value of the minority interests in DnB NOR's accounts at end-September 2010 was EUR 245 million. Thus, the purchase price of EUR 160 million implied that the transaction, in isolation, increased other equity in the Group by EUR 85 million, while the minority interests of EUR 245 million were annulled. The purchase price of EUR 160 million corresponded to 59 per cent of the recorded equity in Bank DnB NORD at end-September 2010.

A total price of the shares lower than book value could be an indication of a possible decline in value of assets, which must be taken into account in impairment tests. In order to assess possible impairment losses, underlying units in DnB NORD were evaluated. No impairment losses on specific assets were identified. However, the analyses revealed that there is a significant differential between fair values and book values relating to functions at DnB NORD's head office in Copenhagen. The differential mainly concerns the capitalisation of the DnB NORD Group, administrative expenses which cannot be allocated to underlying units and the cost of hedging equity positions in subsidiaries. The calculation of the difference between fair value and book value relating to the head office in Copenhagen is based on the assumption that the organisational structure of DnB NORD will be the same as before the acquisition agreement was entered into. A restructuring of DnB NORD, transferring ownership of the subsidiaries to DnB NOR, will offer the opportunity to reduce negative aspects concerning capitalisation and also reduce the costs relating to administrative tasks in Copenhagen. The estimated value of the units in the Baltic region and Poland is in line with balance sheet values.

København Ejendomme Holding Aps (København Ejendomme) – newly established company

On 21 October 2010, Bovista, RC Real Estate, Nykredit, Bank DnB NORD and DnB NOR Bank entered into an agreement to settle an ongoing legal dispute, see note 22 Off-balance sheet transactions and contingencies. The agreement was formally approved by the creditors on 5 November 2010, and the properties were taken over on 1 December. The property portfolio consists of 1 083 flats in prime location, mainly in central parts of Copenhagen.

The agreement implied that DnB NOR Bank purchased the property portfolio from the company in liquidation, Bovista, at fair value and paid an additional compensation to settle the dispute. The total amount paid was DKK 2 023 million. København Ejendomme has 22 wholly-owned subsidiaries, one for each of the acquired properties. The subsidiaries are organised as partnerships with one general partner each. The company structure includes a total of 45 companies. København Ejendomme is a wholly-owned subsidiary of DnB NOR Eiendomsutvikling AS, which is a wholly-owned subsidiary of DnB NOR Bank ASA. In the accounts, the properties are recorded as investment properties, which implies that they are carried at fair value.

Note 4 Segments

Business areas

The operational structure of DnB NOR includes four business areas and four staff and support units. Throughout 2010, DnB NOR owned 51 per cent of DnB NORD's operations. With effect from 23 December 2010, however, DnB NOR took over all shares in the company. Operations were organised under Large Corporates and International, but will still be regarded as a separate profit centre. The business areas are independent profit centres and have responsibility for serving all of the Group's customers and for the total range of products. DnB NOR's business areas comprise Retail Banking, Large Corporates and International, DnB NOR Markets and Insurance and Asset Management. From January 2010, organisational responsibility for DnB NOR Skadeforsikring and DnB NOR Luxembourg was transferred from Retail Banking to the business areas Insurance and Asset Management and Large Corporates and International, respectively. Figures for previous periods have been restated. The other business areas were not directly affected by the change.

Retail Banking - offers a broad range of financial products and services through several brands and a wide distribution network. In cooperation with several of the Group's product areas, customers are offered various financing and leasing, deposit and investment alternatives, as well as real estate broking and financial advisory services. In addition, extensive everyday banking services are provided through the Internet bank, mobile banking, SMS services, branch offices, insurance, in-store banking outlets, in-store postal outlets and Norway Post.

Large Corporates and International - offers a broad range of financial products and services to large Norwegian and international customers in cooperation with several of the Group's product areas, including various types of financing solutions, deposits and investments, insurance, e-commerce products, commercial property brokerage, foreign currency, interest rate products, trade finance and corporate finance services.

DnB NOR Markets - is the Group's investment bank with the key products foreign exchange, interest rate and commodity products, securities and other investment products, debt and equity financing in capital markets, research and advisory services, as well as custodial and other securities services.

Insurance and Asset Management - is responsible for life insurance, non-life insurance, pension savings and asset management.

DnB NORD - are mainly concentrated in the Baltic States and Poland and provides a broad range of products to both the retail and corporate markets.

The income statement and balance sheet for the business areas have been prepared on the basis of internal financial reporting for the functional organisation of the DnB NOR Group into business areas. Figures for the business areas are based on DnB NOR's management model and the Group's accounting principles. The figures have been restated in accordance with the Group's current principles for allocating costs and capital between business areas and are based on a number of assumptions, estimates and discretionary distribution. Internal transfer rates used between the business areas are determined based on observable market rates, e.g. NIBOR. Additional costs relating to the Group's long-term funding are charged to the business areas. According to the Group's liquidity management policy, over 90 per cent of lending is financed through stable deposits and long-term funding.

Certain customers and transactions of major importance require extensive cooperation within the Group. To stimulate such cooperation, operating income and expenses relating to some of these customers and transactions are recorded in the accounts of all relevant business areas. This refers primarily to income from customer trading in DnB NOR Markets. With effect from 1 January 2010, the internal management reporting has been changed, whereby these double entries are presented gross in the income statement. Income is presented under "Income attributable to product suppliers", appurtenant costs under "Costs attributable to product suppliers" and write-downs under "Write-downs attributable to product suppliers". The net result of such transactions was previously included in other operating income. Double entries also include income from Insurance and Asset Management. Figures for 2009 have been adjusted correspondingly. Double entries are eliminated in the group accounts.

Income statement for the fourth quarter

DnB NOR Group

	Retail Banking		Large Corporates and International		DnB NOR Markets		Insurance and Asset Management		DnB NORD		Other operations/ eliminations [1]		DnB NOR Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
Amounts in NOK million	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net interest income - ordinary operations	3 497	3 496	1 616	1 287	224	288	(74)	(45)	344	354	546	226	6 153	5 606
Interest on allocated capital [2]	134	99	157	153	35	28	91	47	12	14	(429)	(341)	0	0
Net interest income	3 631	3 595	1 773	1 440	259	315	17	2	355	369	118	(115)	6 153	5 606
Other operating income	781	850	388	397	1 164	943	1 243	929	120	182	858	(141)	4 553	3 160
Income attributable to product suppliers	347	347	661	357	0	0	0	0	0	0	(1 008)	(704)	0	0
Net other operating income	1 128	1 197	1 049	754	1 164	943	1 243	929	120	182	(151)	(845)	4 553	3 160
Total income	4 760	4 792	2 822	2 194	1 422	1 259	1 260	930	475	551	(33)	(960)	10 706	8 766
Other operating expenses	2 490	2 427	533	434	467	459	628	599	342	768	149	(29)	4 610	4 657
Cost attributable to product suppliers	187	203	266	164	0	0	0	0	0	0	(453)	(367)	0	0
Operating expenses	2 677	2 629	799	598	467	459	628	599	342	768	(304)	(396)	4 610	4 657
Pre-tax operating profit before write-downs	2 083	2 162	2 023	1 595	955	800	632	332	133	(217)	271	(564)	6 096	4 109
Net gains on fixed and intangible assets	5	0	0	0	0	0	0	0	13	(15)	8	34	26	19
Write-downs on loans and guarantees [3]	362	344	191	189	0	0	0	0	304	845	(329)	139	529	1 517
Write-downs attributable to product suppliers	0	0	(1)	(3)	0	0	0	0	0	0	1	3	0	0
Pre-tax operating profit	1 725	1 818	1 833	1 410	955	800	632	332	(159)	(1 078)	606	(672)	5 593	2 610

Note 4 Segments (continued)

1) Other operations/ eliminations:

Amounts in NOK million	*Elimination of income/ cost attributable to product suppliers*		*Other eliminations*		*Group Centre *)*		*Total*	
	4th quarter		*4th quarter*		*4th quarter*		*4th quarter*	
	2010	*2009*	*2010*	*2009*	*2010*	*2009*	*2010*	*2009*
Net interest income - ordinary operations	*0*	*0*	*(10)*	*(8)*	*556*	*234*	*546*	*226*
Interest on allocated capital [2]	*0*	*0*	*0*	*0*	*(429)*	*(341)*	*(429)*	*(341)*
Net interest income	*0*	*0*	*(10)*	*(8)*	*128*	*(107)*	*118*	*(115)*
Other operating income	*0*	*0*	*(330)*	*(160)*	*1 188*	*19*	*858*	*(141)*
Income attributable to product suppliers	*(1 008)*	*(704)*	*0*	*0*	*0*	*0*	*(1 008)*	*(704)*
Net other operating income	*(1 008)*	*(704)*	*(330)*	*(160)*	*1 188*	*19*	*(151)*	*(845)*
Total income	*(1 008)*	*(704)*	*(340)*	*(169)*	*1 315*	*(87)*	*(33)*	*(960)*
Other operating expenses	*0*	*0*	*(340)*	*(169)*	*489*	*139*	*149*	*(29)*
Cost attributable to product suppliers	*(453)*	*(367)*	*0*	*0*	*0*	*0*	*(453)*	*(367)*
Operating expenses	*(453)*	*(367)*	*(340)*	*(169)*	*489*	*139*	*(304)*	*(396)*
Pre-tax operating profit before write-downs	*(555)*	*(337)*	*0*	*0*	*826*	*(227)*	*271*	*(564)*
Net gains on fixed and intangible assets	*0*	*0*	*0*	*0*	*8*	*34*	*8*	*34*
Write-downs on loans and guarantees [3]	*0*	*0*	*0*	*0*	*(329)*	*139*	*(329)*	*139*
Write-downs attributable to product suppliers	*1*	*3*	*0*	*0*	*0*	*0*	*1*	*3*
Pre-tax operating profit	*(556)*	*(340)*	*0*	*0*	*1 162*	*(332)*	*606*	*(672)*

The eliminations refer mainly to internal services from support units to business areas and between business areas. Further, intra-group transactions and gains and losses on transactions between companies in the Group are eliminated. The elimination of income/cost attributable to product suppliers primarily concerns net profits on customer business carried out in cooperation between DnB NOR Markets and other business areas and taken to income in both areas.

The Group Centre includes Operations, HR (Human Resources), IT, Group Finance and Risk Management, Marketing and Communications, Corporate Centre, the partially owned company Eksportfinans, investments in IT infrastructure and shareholder-related costs. In addition, the Group Centre includes that part of the Group's equity that is not allocated to the business areas.

**) Group Centre - pre-tax operating profit in NOK million*	*4th quarter 2010*	*4th quarter 2009*
Income from equities investments	*593*	*(60)*
Interest on unallocated equity	*255*	*90*
Mark-to-market adjustments Treasury and fair value on lending	*248*	*(109)*
Eksportfinans AS	*87*	*(113)*
Net interest income DnB NOR ASA	*17*	*(70)*
Ownership-related expenses (costs relating to shareholders, investor relations, strategic planning etc.)	*56*	*45*
Unallocated write-downs on loans and guarantees	*(329)*	*139*
Other	*(311)*	*113*
Pre-tax operating profit	*1 162*	*(332)*

2) The interest is calculated on the basis of internal measurement of risk-adjusted capital requirement.

3) See note 11 Write-downs on loans and guarantees.

Main average balance sheet items **DnB NOR Group**

Amounts in NOK billion	Retail Banking		Large Corporates and International		DnB NOR Markets		Insurance and Asset Management		DnB NORD		Other operations/ eliminations		DnB NOR Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net lending to customers [1]	748.3	719.6	354.9	345.5	25.8	6.4	2.9	2.8	61.7	75.9	(8.1)	(19.9)	1 185.5	1 130.3
Deposits from customers [1]	382.1	366.8	247.2	221.0	21.0	28.0	0.0	0.0	24.0	20.0	(3.7)	(15.8)	670.6	620.0
Assets under management [2]							522.0	480.0					522.0	480.0
Allocated capital [3]	21.1	19.7	24.6	30.3	5.5	5.5	14.2	9.2	4.5	7.8				

Key figures **DnB NOR Group**

Per cent	Retail Banking		Large Corporates and International		DnB NOR Markets		Insurance and Asset Management		DnB NORD		Other operations		DnB NOR Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Cost/income ratio [4]	56.2	52.7	28.3	27.3	32.8	36.5	49.8	64.4	72.2	72.6			43.1	49.3
Ratio of deposits to lending [1] [5]	51.1	51.0	69.6	64.0					38.9	26.4			56.6	54.9
Return on allocated capital, annualised [3]	23.4	26.4	21.3	13.3	49.6	41.5	36.2	47.0	(11.2)	(28.9)			48.2	15.5
Number of full-time positions as at 31 December	4 842	4 997	1 103	1 061	668	647	1 047	1 054	3 159	3 174	2 203	2 385	13 021	13 317

1) Based on nominal values and includes lending to and deposits from credit institutions.

2) The figures include total assets in Vital.

3) The allocated capital and return on allocated capital for the business areas are calculated on the basis of internal measurement of risk-adjusted capital requirement. Recorded return on capital is used for the Group.

4) Total operating expenses relative to total income. Expenses exclude impairment losses for goodwill and intangible assets.

5) Deposits from customers relative to net lending to customers.

Note 4 Segments (continued)

Comments to the income statement for the fourth quarter

Retail Banking

Retail Banking showed a stable and healthy performance trend in 2010. Pre-tax operating profits were down 5.1 per cent in the fourth quarter of 2010 compared with the year-earlier period. Strong competition in the Norwegian market and rising costs related to long-term funding put pressure on interest income. Retail Banking maintained strict cost control, though higher IT expenses and an increase in depreciation on operational leasing due to rising volumes caused a certain increase in ordinary operating expenses. Net write-downs on loans represented 0.19 per cent of average lending, on a level with the fourth quarter of 2009. Net lending to customers rose by 4.0 per cent. The increase was primarily in loans to private individuals, though there was also rising growth in corporate lending through 2010. The quality of the loan portfolios was sound. Deposits increased by 4.2 per cent from the fourth quarter of 2009.

Large Corporates and International

Higher activity levels, rising volumes and wider lending spreads contributed to strong income growth compared with the fourth quarter of 2009. Pre-tax operating profits were up 30 per cent from the year-earlier period. Average net lending to customers increased by 2.7 per cent from the fourth quarter of 2009, while deposits were up 11.8 per cent. There was strong competition for deposits, and deposit spreads were under pressure. The level of net write-downs on loans was relatively low at 0.21 per cent of average lending in the fourth quarter of 2010, unchanged from the year-earlier period. Portfolio quality remained sound.

DnB NOR Markets

DnB NOR Markets' level of profits in the fourth quarter of 2010 reflected brisk activity levels, which ensured sound growth in customer-related revenues. DnB NOR Markets was the largest brokerage house on Oslo Børs within trading in and issues of both equities, bonds and commercial paper. Increasing use of electronic trading caused pressure on prices, which was partly counteracted by rising volumes. Income from proprietary trading and other market making reflected a normalisation of the markets and less volatility compared with 2009.

Revenues within various segments

	DnB NOR Markets	
Amounts in NOK million	4th quarter 2010	4th quarter 2009
FX, interest rate and commodity derivatives	387	311
Investment products	85	135
Corporate finance	365	130
Securities services	60	58
Total customer revenues	897	634
Net income liquidity portfolio	291	230
Other market making/trading revenues	199	367
Total trading revenues	490	597
Interest income on allocated capital	35	28
Total income	1 422	1 259

Insurance and Asset Management

Vital:

The improved financial market situation and healthy financial management operations ensured sound profits to both policyholders and the owner. The recorded return on the common portfolio was 2.3 per cent in the fourth quarter of 2010, up from 1.5 per cent in the year-earlier period. The value-adjusted return was 2.7 per cent in the October through December period in 2010. There was a return on the corporate portfolio of 2.0 per cent in the same period of 2010. The risk result improved compared with 2009 in spite of an upward adjustment of life expectancy, which entailed an increase in reserves in the fourth quarter of 2010. See Vital's income statement, balance sheet and key figures on the next pages.

DnB NOR Asset Management:

DnB NOR Asset Management showed healthy asset management performance in the fourth quarter of 2010. Assets under management rose by 8.6 per cent from end-December 2009 to end-December 2010. A higher level of activity in Retail Banking gave a rise in mutual fund sales in the fourth quarter of 2010. There was a positive trend in sales and customer satisfaction in the institutional market in both Norway and Sweden. Cost levels remained stable.

DnB NORD

Average net lending to customers was reduced by almost 19 per cent from the fourth quarter of 2009 to the corresponding period in 2010. The decline reflected the downscaling of DnB NORD's operations in Denmark and Finland and the impact of the global financial crisis, which has seriously affected the Baltic region. The reduction in lending in Denmark and Finland was partly due to the transfer of a portfolio to DnB NOR at year-end 2009. In consequence of lower lending volumes, there was a 13.8 per cent decline in income compared with the fourth quarter of 2009. Cost efficiency measures and the downscaling of operations brought down ordinary operating expenses. The level of net write-downs remained high, but was reduced from 4.40 per cent of average lending in the fourth quarter of 2009 to 1.95 per cent in 2010. High write-downs in the Danish portfolio had a negative effect on the write-down percentage for the fourth quarter of 2010. Write-downs in the Baltic region and Poland represented 1.65 per cent in the October through December period.

Other units – Group Centre

The Group Centre recorded a pre-tax operating profit of NOK 606 million in the fourth quarter of 2010, compared with a loss of NOK 672 million in the year-earlier period. Profits attributable to the Group from the associated company Eksportfinans totalled NOK 87 million in the fourth quarter of 2010, including the share of the portfolio guarantee issued for the liquidity portfolio, compared with a loss of NOK 113 million in the year-earlier period. Income from equity investments totalled NOK 593 million in the fourth quarter of 2010, rising by NOK 653 million from the previous year. There was a profit contribution of NOK 265 million from own debt, loans carried at fair value and related derivatives in the fourth quarter of 2010, compared with a negative profit contribution of NOK 178 million in the corresponding period in 2009. There was a NOK 329 million reduction in collective write-downs in the fourth quarter of 2010, compared with a NOK 139 million increase in the year-earlier period. The reduction reflected a positive trend in the risk situation and a slight improvement in the global economy.

Note 4 Segments (continued)

Income statement, full year

DnB NOR Group

	Retail Banking		Large Corporates and International		DnB NOR Markets		Insurance and Asset Management		DnB NORD		Other operations/ eliminations		DnB NOR Group	
	Full year		Full year		Full year		Full year		Full year		Full year		Full year	
Amounts in NOK million	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net interest income - ordinary operations	13 643	14 425	5 884	5 333	928	1 100	(253)	(243)	1 383	1 462	1 851	556	23 436	22 633
Interest on allocated capital [1]	497	500	608	793	145	144	339	239	38	96	(1 627)	(1 771)	0	0
Net interest income	14 139	14 925	6 492	6 126	1 073	1 244	86	(5)	1 422	1 559	224	(1 216)	23 436	22 633
Other operating income	3 501	3 324	1 151	1 272	4 398	5 999	4 116	3 587	627	684	2 364	128	16 156	14 994
Income attributable to product suppliers	1 263	1 336	2 006	2 032	0	0	0	0	0	0	(3 269)	(3 368)	0	0
Net other operating income	4 764	4 660	3 157	3 304	4 398	5 999	4 116	3 587	627	684	(905)	(3 239)	16 156	14 994
Total income	18 903	19 585	9 649	9 430	5 471	7 243	4 201	3 582	2 048	2 242	(681)	(4 455)	39 592	37 627
Other operating expenses	10 290	9 989	2 130	1 877	1 833	1 913	2 288	2 335	1 700	2 589	270	207	18 511	18 911
Cost attributable to product suppliers	675	770	806	749	0	0	0	0	0	0	(1 481)	(1 519)	0	0
Operating expenses	10 965	10 758	2 935	2 627	1 833	1 913	2 288	2 335	1 700	2 589	(1 211)	(1 312)	18 511	18 911
Pre-tax operating profit before write-downs	7 938	8 826	6 713	6 803	3 638	5 331	1 913	1 247	348	(347)	530	(3 143)	21 081	18 717
Net gains on fixed and intangible assets	6	1	0	0	0	0	0	0	(15)	(13)	33	38	24	26
Write-downs on loans and guarantees [2]	1 225	1 586	586	1 128	0	0	0	0	1 813	3 929	(627)	1 067	2 997	7 710
Write-downs attributable to product suppliers	0	0	3	6	0	0	0	0	0	0	(3)	(6)	0	0
Pre-tax operating profit	6 719	7 241	6 124	5 669	3 638	5 331	1 913	1 247	(1 481)	(4 289)	1 194	(4 166)	18 108	11 032

1) *The interest is calculated on the basis of internal measurement of risk-adjusted capital requirement.*
2) *See note 11 Write-downs on loans and guarantees.*

Comments to the full year income statement

DnB NOR recorded profits for the periode of NOK 14 062 million in 2010, a major improvement from NOK 7 026 million in 2009. Higher income and lower costs improved performance, and lower write-downs on loans had a positive effect on profits. Profit figures for 2010 also reflected non-recurring income. Pre-tax operating profits before write-downs rose from NOK 18 717 million in 2009 to NOK 21 081 million in 2010. The Group reached its financial targets for 2010 and showed sound progress in key areas.

Net interest income rose by NOK 803 million or 3.5 per cent from 2009 to 2010. Average lending volumes declined by 1.3 per cent, but rose by 4.9 per cent from year-end 2009 to end-December 2010. Average deposits increased by 3.1 per cent from 2009 to 2010. Average lending spreads remained unchanged from 2009, but increased towards the end of 2010. Relative to the 3-month money market rate, deposit spreads widened by 0.03 percentage points. Higher interest income on equity due to the capital increase in December 2009 also contributed to higher interest income.

At the start of 2009, the Group recorded particularly high income from hedging transactions related to currency and interest rate products due to the turbulent market situation in the wake of the financial crisis. Such income returned to a more normalised level in 2010. In the second quarter of the year, the Group recorded gains of NOK 1.2 billion in connection with the merger between the payment services company Nordito and the Danish PBS Holding. In addition, many units in the Group recorded a high level of operating income. Net other operating income rose by a total of NOK 1 162 million from 2009 to 2010.

The Group's cost programme helped ensure significant cost reductions during the period from 2008 through 2010 and was the key factor behind the NOK 194 million reduction in ordinary operating expenses, excluding impairment losses for goodwill and intangible assets, from 2009 to 2010. The cost programme compensated for wage and price inflation and partially for the increase in market activities during the period. The programme measures include the streamlining of the branch structure, IT systems, procurement and internal processes. The programme is ahead of schedule to reach the target of annual cost savings of NOK 2 billion by year-end 2012.

The improved macroeconomic situation contributed to lower write-downs. Write-downs were reduced by 61 per cent, from NOK 7 710 million in 2009 to NOK 2 997 million in 2010. The low write-downs confirmed DnB NOR's sound portfolio quality. Write-downs in DnB NORD remained relatively high in 2010, but markedly lower than in 2009. Individual write-downs in DnB NORD were down 32 per cent from 2009.

Return on equity was 13.6 per cent in 2010, up 3.0 percentage points from 2009. Earnings per share were NOK 8.66 in 2010 and NOK 6.43 in 2009. At year-end 2010, DnB NOR was the third largest company listed on Oslo Børs with a total market capitalisation of NOK 133 billion.

On 2 August 2010, DnB NOR exercised the option entitling the Group to purchase NORD/LB's 49 per cent ownership interest in DnB NORD. After negotiations between the parties, a purchase price of EUR 160 million was agreed on. DnB NORD was already fully consolidated in the DnB NOR Group's accounts before the transaction, and the acquisition thus had no immediate effect on the income statements and balance sheets. DnB NOR has initiated a process aimed at restructuring operations in DnB NORD and thus achieve commercial gains.

During 2010, DnB NOR stepped up customer and market activities, aiming to strengthen its market position in all segments. The market activities underpin the Group's vision and values. The Group climbed seven places in Synovate's annual corporate reputation ranking in 2010, and was among the best banks. In addition, the Group improved its scores in other reputation and customer satisfaction surveys in 2010. Thus, the Group's reputation was markedly enhanced during 2010. During the year, a new Internet portal was developed, and with effect from 1 January 2011, the Group's customer service phone is open 24 hours a day seven days a week. These measures have been well received by customers.

Sickness absence in DnB NOR's Norwegian operations was 4.3 per cent in 2010, a reduction from 5.2 per cent in 2009. The low sickness absence rate is a result of targeted measures.

Note 4 Segments (continued)

For the second consecutive year, DnB NOR qualified for inclusion in the Dow Jones World Sustainability Index, DJSI World. This means that DnB NOR is regarded as being among the top 10 per cent within its industry worldwide in terms of sustainability.

Due to its strong position, DnB NOR had ample access to funding in 2010, though prices were much higher than before the financial crisis.

Due to the Group's healthy performance in 2010, the Tier 1 capital ratio rose from 9.3 per cent at year-end 2009 to 10.1 per cent at end-December 2010. Based on full IRB implementation, the Group would have had a potential Tier 1 capital ratio of 12.3 per cent at year-end 2010. The Board of Directors considers the Group to be well capitalised in relation to current regulatory requirements and its Nordic competitors. At year-end 2010, Standard & Poor's ranked DnB NOR as the eleventh best capitalised bank among the 75 largest international banks worldwide.

In consequence of the financial crisis, the market and the authorities have presented stricter capitalisation requirements for the financial industry. DnB NOR is preparing for the announced regulatory requirements. The Norwegian authorities are also considering further measures for the financial industry, based, among other things, on recommendations from the Financial Crisis Commission, which were circulated for public consultation in early 2011. One of the Board of Directors' key concerns is that the same competitive terms be established for all market participants.

The Board of Directors will propose a dividend of NOK 4.00 per share for 2010. The proposal is based on the Group's dividend policy, which aims to distribute 50 per cent of normalised annual profits as dividends.

Vital

The business area Insurance and Asset Management in DnB NOR comprises Vital Forsikring ASA and DnB NOR Kapitalforvaltning Holding AS and their respective subsidiaries, in addition to DnB NOR Skadeforsikring. Vital Forsikring ASA including subsidiaries, hereinafter referred to as "Vital", is fully consolidated in the DnB NOR Group's accounts. Vital's lines of business are life insurance and pension savings. Operations are thus different from operations in the rest of the Group. Profit sharing between policyholders and the owner in life insurance companies is based on special accounting regulations for such operations stipulated by the Norwegian Ministry of Finance. Regulations relating to profit sharing between the owner and policyholders in life insurance companies limit the DnB NOR Group's access to revenues and assets from life insurance operations. The tables below describe the income statement, balance sheet and key figures for Vital.

Income statement [1)]

				Vital
	4th quarter	4th quarter	Full year	Full year
Amounts in NOK million	2010	2009	2010	2009
Commissions and fees receivable etc.	585	553	2 303	2 209
Commissions and fees payable etc.	90	79	358	336
Net gains on assets in Vital	6 414	4 114	15 068	13 464
Guaranteed returns and allocations to policyholders in Vital	5 879	3 798	13 500	12 712
Premium income etc. included in the risk result in Vital	1 242	1 169	4 721	4 705
Insurance claims etc. included in the risk result in Vital	1 248	1 240	4 977	4 613
Net other operating income	**1 023**	**719**	**3 258**	**2 717**
Total income	**1 023**	**719**	**3 258**	**2 717**
Salaries and other personnel expenses	151	203	637	740
Other expenses	245	181	779	718
Depreciation and impairment of fixed and intangible assets	35	31	118	103
Total operating expenses	**431**	**415**	**1 534**	**1 561**
Net gains on fixed and intangible assets	0	0	1	0
Pre-tax operating profit	**591**	**304**	**1 724**	**1 156**
Taxes	(672)	(771)	(672)	(175)
Profit for the year [2)]	**1 263**	**1 075**	**2 396**	**1 331**

1) *The figures encompass Vital Forsikring ASA including subsidiaries as included in the DnB NOR Group accounts before eliminations for intra-group transactions and balances.*

2) Breakdown of income statement

				Vital
	4th quarter	*4th quarter*	*Full year*	*Full year*
Amounts in NOK million	*2010*	*2009*	*2010*	*2009*
Interest result	*3 222*	*1 353*	*6 033*	*3 043*
Application of/(transferred to) additional allocations	*(407)*	*(173)*	*(407)*	*(173)*
Risk result	*(9)*	*(70)*	*(242)*	*92*
Administration result	*(62)*	*2*	*(104)*	*(108)*
Upfront pricing of risk and guaranteed rate of return	*135*	*113*	*552*	*477*
Transferred from security reserve	*2*	*(12)*	*(14)*	*(36)*
Funds transferred to policyholders	*2 290*	*908*	*4 093*	*2 138*
Pre-tax operating profit in Vital	*591*	*304*	*1 724*	*1 156*
Taxes	*(672)*	*(771)*	*(672)*	*(175)*
Profit for the period in Vital	*1 263*	*1 075*	*2 396*	*1 331*

Note 4 Segments (continued)

Balance sheets [1]	Vital	
	31 Dec.	31 Dec.
Amounts in NOK million	2010	2009
Assets		
Lending to and deposits with credit institutions	4 730	4 871
Lending to customers	2 833	3 076
Commercial paper and bonds	46 574	52 673
Shareholdings [2]	60 443	44 955
Financial assets, customers bearing the risk	23 506	21 337
Financial derivatives	2 445	2 149
Commercial paper and bonds, held to maturity	68 038	68 128
Investment property [3]	35 961	32 766
Investments in associated companies	16	19
Intangible assets	256	288
Deferred tax assets	629	52
Fixed assets	21	43
Other assets	1 654	2 109
Total assets	**247 107**	**232 465**
Liabilities and equity		
Financial derivatives	1 299	1 909
Insurance liabilities, customers bearing the risk	23 506	21 337
Liabilities to life insurance policyholders	205 550	193 556
Payable taxes	27	654
Deferred taxes	0	0
Other liabilities	1 591	2 277
Provisions	224	227
Subordinated loan capital	2 497	2 489
Total liabilities	**234 693**	**222 448**
Share capital	1 321	1 321
Share premium reserve	1 175	1 175
Other equity	9 918	7 522
Total equity	**12 413**	**10 018**
Total liabilities and equity	**247 107**	**232 465**

1) *The figures encompass Vital Forsikring ASA including subsidiaries as included in the DnB NOR Group accounts before eliminations for intra-group transactions and balances.*
2) *Investments in Private Equity, PE, totalled NOK 2.8 billion at end-December 2010. See note 15 Investments in shares.*
3) *See note 16 Investment property.*

Key figures				Vital
	4th quarter	4th quarter	Full year	Full year
Per cent	2010	2009	2010	2009
Recorded return, excluding unrealised gains on financial instruments [1]	2.3	1.5	6.2	4.7
Value-adjusted return, excluding unrealised gains on commercial paper and bonds, held to maturity [1]	2.7	1.8	6.8	5.4
Value-adjusted return, including unrealised gains on commercial paper and bonds, held to maturity, and unrealised gains on current assets [1]	1.9	1.9	6.9	5.7
Capital adequacy ratio at end of period [2]	11.0	11.6	11.0	11.6
Core capital ratio at end of period [2]	9.7	9.7	9.7	9.7
Solvency margin capital in per cent of requirement at end of period [2] [3]	179	171	179	171

1) *Refers to the common portfolio.*
2) *Finanstilsynet (the Financial Supervisory Authority of Norway) and the Ministry of Finance have not adapted capital adequacy or solvency margin capital regulations to IFRS.*
3) *Solvency margin capital is measured against the solvency margin requirement, which is linked to the company's insurance commitments. The solvency margin capital requirements for Norwegian life insurance companies are subject to regulations laid down by the Ministry of Finance on 19 May 1995.*

Note 5 Net interest income

				DnB NOR Group
	4th quarter	4th quarter	Full year	Full year
Amounts in NOK million	2010	2009	2010	2009
Interest on loans to and deposits with credit institutions	244	261	1 061	1 679
Interest on loans to customers	11 576	9 880	43 411	47 232
Interest on impaired commitments	56	37	247	118
Interest on commercial paper and bonds	2 514	2 025	9 568	8 134
Front-end fees etc.	96	85	287	374
Other interest income	681	380	2 334	826
Total interest income	**15 168**	**12 667**	**56 909**	**58 363**
Interest on loans and deposits from credit institutions	1 226	1 049	5 008	4 826
Interest on deposits from customers	3 005	2 330	10 986	12 279
Interest on debt securities issued	3 412	2 580	12 239	13 769
Interest on subordinated loan capital	159	175	667	1 066
Other interest expenses [1)]	1 214	927	4 573	3 791
Total interest expenses	**9 015**	**7 061**	**33 473**	**35 730**
Net interest income	**6 153**	**5 606**	**23 436**	**22 633**

1) *Other interest expenses include interest rate adjustments resulting from interest swaps entered into.*

Note 6 Net other operating income

Amounts in NOK million	4th quarter 2010	4th quarter 2009	Full year 2010	Full year 2009
			DnB NOR Group	
Money transfer fees receivable	721	761	2 957	3 031
Fees on asset management services	271	281	1 096	1 021
Fees on custodial services	75	75	295	275
Fees on securities broking	86	73	303	279
Corporate finance	207	48	608	312
Interbank fees	24	29	97	106
Credit broking commissions	200	68	474	367
Sales commissions on insurance products	625	612	2 579	2 447
Sundry commissions and fees receivable on banking services	210	190	851	886
Total commissions and fees receivable etc.	**2 420**	**2 137**	**9 261**	**8 724**
Money transfer fees payable	323	245	1 112	1 015
Commissions payable on fund management services	27	27	121	59
Fees on custodial services payable	24	23	112	106
Interbank fees	36	38	140	153
Credit broking commissions	(44)	16	48	52
Commissions payable on the sale of insurance products	18	26	137	111
Sundry commissions and fees payable on banking services	127	146	550	573
Total commissions and fees payable etc.	**511**	**521**	**2 220**	**2 069**
Net gains on financial instruments at fair value	**1 684**	**1 066**	**4 961**	**6 286**
Net gains on assets in Vital [1)]	**6 404**	**4 107**	**15 074**	**13 462**
Guaranteed returns and allocations to policyholders in Vital [1)]	**5 879**	**3 798**	**13 500**	**12 712**
Premium income etc. included in the risk result in Vital	**1 242**	**1 169**	**4 721**	**4 705**
Insurance claims etc. included in the risk result in Vital	**1 248**	**1 240**	**4 977**	**4 613**
Premium income non-life insurance	**273**	**221**	**1 009**	**593**
Insurance claims etc. non-life insurance	**249**	**201**	**918**	**538**
Profit from companies accounted for by the equity method [2)]	**72**	**(49)**	**180**	**93**
Fees on real estate broking	223	198	860	774
Net unrealised gains on investment property	0	1	0	(109)
Miscellaneous operating income [3)]	121	68	1 704	399
Total other income	**343**	**268**	**2 565**	**1 063**
Net other operating income	**4 553**	**3 160**	**16 156**	**14 994**

1) *See note 4 Segments for information about Vital.*
2) *Eksportfinans entered into an agreement with a syndicate comprising most of the companys' owners. With effect from 1 March 2008, the agreement protects the company from further value reductions in the liquidity portfolio of bonds. Taking the guarantee into account, there was a profit contribution of NOK 87 million from the company in the fourth quarter of 2010.*
3) *The increase in miscellaneous operating income in 2010 compared with year-earlier primarily attributable to the merger between the payment services company Nordito and the Danish PBS Holding during the second quarter of 2010, which generated gains of NOK 1 170 million.*

Note 7 Net gains on financial instruments at fair value

Amounts in NOK million	4th quarter 2010	4th quarter 2009	Full year 2010	Full year 2009
			DnB NOR Group	
Dividends	55	34	387	169
Net gains on commercial paper and bonds	(135)	141	700	644
Net gains on shareholdings	695	284	582	344
Net gains on other financial instruments [1)]	1 069	607	3 292	5 129
Net gains on financial instruments at fair value	**1 684**	**1 066**	**4 961**	**6 286**

1) *Net gains in DnB NOR Markets were exceptionally high in the first half of 2009 due to the turmoil in the financial markets.*

Note 8 Operating expenses

	DnB NOR Group			
Amounts in NOK million	4th quarter 2010	4th quarter 2009	Full year 2010	Full year 2009
Salaries	1 830	1 755	7 071	7 206
Employer's national insurance contributions	260	280	1 025	1 082
Pension expenses 1)	158	224	448	960
Restructuring expenses	(19)	10	36	82
Other personnel expenses	209	224	680	587
Total salaries and other personnel expenses	**2 438**	**2 493**	**9 259**	**9 917**
Fees 2)	365	69	1 437	1 155
IT expenses 2)	345	446	1 635	1 741
Postage and telecommunications	98	93	377	412
Office supplies	28	24	99	99
Marketing and public relations	224	118	812	572
Travel expenses	83	75	244	234
Reimbursement to Norway Post for transactions executed	36	49	151	203
Training expenses	26	20	75	73
Operating expenses on properties and premises	308	324	1 280	1 306
Operating expenses on machinery, vehicles and office equipment	47	32	151	145
Other operating expenses	123	198	735	846
Other expenses	**1 685**	**1 446**	**6 995**	**6 784**
Impairment losses for goodwill 3)	0	338	194	730
Depreciation and write-downs of fixed and intangible assets 4)	487	380	2 063	1 479
Total depreciation and write-downs of fixed and intangible assets	**487**	**718**	**2 256**	**2 210**
Total operating expenses	**4 610**	**4 657**	**18 511**	**18 911**

1) *Pension expenses were reduced by NOK 367 million for the first quarter of 2010 due to the reversal of provisions for contractual early retirement pensions.*

2) *Fees include system development fees and must be viewed relative to IT expenses.*

3) *For the full year 2009, DnB NOR recorded impairment losses for goodwill of NOK 201 million relating to operations in Sweden, Svensk Fastighetsförmedling AB and SalusAnsvar, and NOK 529 million relating to DnB NORD. Impairment losses for goodwill of NOK 194 million relating to Svensk Fastighetsförmedling were recorded in the second quarter of 2010.*

4) *See note 17 Intangible assets.*

Note 9 Number of employees/full-time positions

	DnB NOR Group			
	4th quarter 2010	4th quarter 2009	Full year 2010	Full year 2009
Number of employees at end of period	13 365	13 691	13 365	13 691
- of which number of employees abroad	4 391	4 524	4 391	4 524
Number of employees calculated on a full-time basis at end of period	13 021	13 317	13 021	13 317
- of which number of employees calculated on a full-time basis abroad	4 338	4 436	4 338	4 436
Average number of employees	13 428	13 827	13 485	14 159
Average number of employees calculated on a full-time basis	13 085	13 440	13 131	13 768

Note 10 Taxes

Balancing tax charges against pre-tax operating profit

	DnB NOR Group	
	Full year	Full year
Amounts in NOK million	2010	2009
Operating profit before taxes	18 108	11 032
Estimated income tax - nominal tax rate (28 per cent)	5 070	3 089
Tax effect of income taxable abroad	119	1 192
Tax effect of debt interest distribution with international branches	57	(36)
Tax effect of tax-excempt income and non-deductible expenses	(1 626)	171
Taxes payable abroad	400	(71)
Excess tax provision previous year	101	(259)
Total taxes	**4 121**	**4 086**
Effective tax rate	23%	37%

The DnB NOR Group's total tax charge for 2010 was NOK 4 121 million, up NOK 35 million from 2009. Relative to pre-tax operating profits, the tax charge declined from 37 to 23 per cent from 2009 to 2010. Tax-exempt income on shares in 2010 was the main factor behind the reduced tax charge.

Key factors behind tax-exempt income and non-deductible expenses are joint taxation of Norwegian and international operations, tax-exempt income from share investments and goodwill amortisation.

Note 11 Write-downs on loans and guarantees

	DnB NOR Group			
	4th quarter	4th quarter	Full year	Full year
Amounts in NOK million	2010	2009	2010	2009
Write-offs [1)]	113	311	459	554
New individual write-downs [2)]	1 351	1 220	5 122	6 521
Total new individual write-downs	1 464	1 531	5 581	7 075
Reassessed individual write-downs	343	155	1 090	693
Recoveries on commitments previously written off	160	75	418	317
Net individual write-downs	961	1 301	4 074	6 065
Change in collective write-downs on loans [2)]	(432)	216	(1 077)	1 645
Write-downs on loans and guarantees [*)]	**529**	**1 517**	**2 997**	**7 710**
Write-offs covered by individual write-downs made in previous years	1 060	98	2 217	1 627
**) Of which individual write-downs on guarantees*	*(24)*	*(2)*	*(3)*	*14*

1) Including a NOK 98 million adjustment for commitments previously written down in 2010.

2) In the first quarter of 2010, collective write-downs of NOK 284 million were reclassified as individual write-downs following more precise identification of impairment on individual commitments in sub-portfolios in DnB NORD.

Write-downs on loans totalled NOK 529 million for the quarter, down 65 per cent or NOK 988 million from the fourth quarter of 2009. Write-downs also showed a slight decline from the third quarter of 2010 and appear to have stabilised at a level which reflects the generally high quality of the portfolios. Excluding DnB NORD, individual write-downs came to NOK 553 million in the fourth quarter of 2010, which represented a slight increase from the year-earlier period.

Individual write-downs in DnB NORD totalled NOK 407 million in the fourth quarter of 2010, down from NOK 768 million in the year-earlier period. The level of write-downs in DnB NORD remained high relative to the loan portfolio. However, a more positive macroeconomic trend in the Baltic region resulted in a pronounced reduction in write-down levels compared with 2009. Total write-downs in DnB NORD represented 1,95 per cent of the loan portfolio, a decrease from 4.40 per cent in the fourth quarter of 2009

Note 12 Lending to customers

Amounts in NOK million	DnB NOR Group 31 Dec. 2010	31 Dec. 2009
Lending to customers, nominal amount	1 057 383	972 424
Individual write-downs	9 207	7 673
Lending to customers, after individual write-downs	1 048 177	964 751
+ Accrued interest and amortisation	1 952	1 698
- Individual write-downs of accrued interest and amortisation	658	607
- Collective write-downs	1 872	2 969
Lending to customers, at amortised cost	1 047 598	962 873
Lending to customers, nominal amount	121 834	150 939
+ Accrued interest	549	695
+ Adjustment to fair value	359	379
Lending to customers, at fair value 1)	122 742	152 013
Lending to customers	**1 170 341**	**1 114 886**

1) *The fair value of loans in Norwegian kroner increased by NOK 81 million from 31 December 2009 due to narrowing margin requirement.*

Note 13 Net impaired loans and guarantees for principal sectors 1)

Amounts in NOK million	DnB NOR Group 31 Dec. 2010	31 Dec. 2009
Private individuals 2) 3)	4 481	3 838
International shipping	810	1 097
Real estate	2 503	2 259
Manufacturing	2 938	3 420
Services	1 521	740
Trade	698	668
Oil and gas	227	0
Transportation and communication	490	533
Building and construction	1 710	1 176
Power and water supply	25	9
Seafood	10	10
Hotels and restaurants	351	226
Agriculture and forestry	279	304
Central and local government	0	0
Other sectors	53	121
Total customers	16 097	14 403
Credit institutions	0	0
Total net impaired loans and guarantees	16 097	14 403
Non-performing loans and guarantees not subject to write-downs 2)	2 313	4 724
Total net non-performing and doubtful loans and guarantees	18 409	19 127

1) *Includes loans and guarantees subject to individual write-downs for principal sectors, and total non-performing loans and guarantees not subject to write-downs. The breakdown into principal sectors is based on standardised sector and industry categories set up by Statistics Norway.*

2) *Figures for 2010 includes an increase of NOK 817 million due to reclassification of non-performing commitments previously collectively written down in DnB NORD.*

3) *Including a NOK 98 million adjustment for commitments previously written down in 2010.*

Note 14 Commercial paper and bonds, held to maturity

As part of ongoing liquidity management, DnB NOR Bank has invested in a portfolio of securities. The portfolio can be used to regulate the liquidity requirement and as a basis for furnishing collateral for operations in various countries. Among other things, the securities serve as collateral for short and long-term borrowing in a number of central banks and as a basis for liquidity buffers to meet regulatory requirements. With effect from 1 July 2008, the liquidity portfolio in DnB NOR Markets was reclassified from the category "fair value through profit or loss" to "held-to-maturity investments". Portfolios in this category are recorded at amortised cost and written down if there is objective evidence of a decrease in value.

Measurement

The reclassification in accordance with IAS 39 Financial Instruments: Recognition and Measurements requires that the value of the liquidity portfolio based on the principles applied before the reclassification must be reported. In a normal market situation, the liquidity portfolio would have been recorded at external observable prices before the reclassification. Due to the financial turmoil, there were no such observable prices in the market in 2008. The markets normalised through 2009. However, due to increasing financial market turmoil resulting from the debt situation in a number of European countries, especially in the first half of 2010, there were still no observable prices for large parts of the portfolio. In order to meet the disclosure requirement at end-December 2010, the liquidity portfolio has been measured at fair value according to models used for financial instruments not traded in an active market. The model applied is based on a regression analysis whereby historical market data (explanatory variables) which have been observable even during the financial turmoil are used to explain historical changes in value in the liquidity portfolio. During the period from the fourth quarter of 2006 up to and including the second quarter of 2008, the model shows a high level of correlation between changes in given market data and changes in value in the liquidity portfolio, which at the time was priced in an active market or through broker quotes which were believed to be fairly reliable. If the model had been applied to the liquidity portfolio in 2010, there would have been a NOK 107 million increase in profits.

Effects of the reclassifications of the liquidity portfolio

The reclassification of the liquidity portfolio increased the value of the portfolio by NOK 634 million at end-December 2010 compared with the situation if the previous valuation principle had been retained. On the reclassification date, the book value of the portfolio was NOK 88.0 billion, compared with NOK 54.1 billion at end-December 2010. The average term to maturity of the portfolio is 3.6 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 15 million at end-December 2010.

Effects of the reclassification of the liquidity portfolio — **DnB NOR Group**

Amounts in NOK million	4th quarter 2010	4th quarter 2009	Full year 2010	Full year 2009
Effects on profits				
Recorded amortisation effect	91	65	429	544
Net gain if valued at fair value	395	28	536	2 819
Effects of reclassification on profits	(304)	37	(107)	(2 275)
Effects on the balance sheet				
Recorded, unrealised losses			1 234	1 662
Unrealised losses, if valued at fair value			1 868	2 404
Effects of reclassification on the balance sheet			634	741

Development in the liquidity portfolio after the reclassification — **DnB NOR Group**

Amounts in NOK million	31 Dec. 2010	31 Dec. 2009
Liquidity portfolio, recorded value	54 087	68 600
Liquidity portfolio, if valued at fair value	53 453	67 859
Effects of reclassification on the balance sheet	634	741

DnB NOR Markets' liquidity portfolio

After the reclassification date, DnB NOR Markets has chosen to increase its investments in held-to-maturity securities. As at 31 December 2010, DnB NOR Markets' portfolio represented NOK 113 billion. 96.3 per cent of the securities in the portfolio had an AAA rating, while 3.0 per cent were rated AA. There were no synthetic securities in the portfolio and no investments in US sub-prime bonds or Collateralised Debt Obligations, CDOs. Nor were any investments made in Treasury bills in Portugal, Italy, Ireland, Greece or Spain. The structure of DnB NOR Markets' liquidity portfolio is shown below.

Note 14 Commercial paper and bonds, held to maturity (continued)

	DnB NOR Group	
	Per cent	NOK million
	31 Dec.	31 Dec.
	2010	2010
Asset class		
Consumer credit	2	2 190
Residential mortgages	64	73 387
Corporate loans [1)]	2	2 578
Government-related	31	35 909
Total liquidity portfolio DnB NOR Markets, nominal values	100	114 064
Accrued interest, including amortisation effects		(1 497)
Total liquidity portfolio DnB NOR Markets	100	112 567
Of which reclassified portfolio		54 087

1) The exposure to the insurance sector represented only 0.01 per cent of the total portfolio at end-December. With effect from the second quarter of 2010, the exposure to this sector is included in the asset class corporate loans.

The average term to maturity of DnB NOR Markets' liquidity portfolio is 3.4 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 25 million at end-December 2010.

Commercial paper and bonds, held to maturity

	DnB NOR Group	
	31 Dec.	31 Dec.
Amounts in NOK million	2010	2009
DnB NOR Markets	112 567	112 969
Vital	68 038	68 128
Other units [1)]	(1 144)	(1 265)
Commercial paper and bonds, held to maturity	**179 461**	**179 832**

1) Including eliminations of Vital's investments in bonds issued by DnB NOR Boligkreditt.

Vital Forsikring

Vital Forsikring's portfolio of held-to-maturity bonds represents bonds issued by highly creditworthy borrowers. At end-December 2010, bonds with government guarantees represented approximately 22 per cent of the portfolio. The remaining bonds are generally issued by municipalities/county municipalities and finance companies with sound creditworthiness. All investments in bonds issued by finance companies represent senior debt, which has the highest ranking in the capital structure and first priority if the issuer goes bankrupt. Only in exceptional cases does Vital invest in bonds issued by traditional manufacturing companies.

Note 15 Investments in shares

Investments in shares are carried at fair value. Measurement at fair value is described in Accounting principles in the annual report for 2009.

When determining the fair value of Private Equity investments, PE, the "International Private Equity and Venture Capital Valuation Guidelines" and similar guidelines are used. The method used is one of several instruments to determine the best estimate of fair values for investments in not very liquid equity instruments and is based on reports on returns from portfolio companies, with a time lag of approximately three months. The time lag in the access to information could be a challenge in relation to the valuation of the PE portfolio. On each reporting date, a special method is therefore used to make the required adaptations. A detailed description of the model can be found in note 1 Important accounting estimates and discretionary assessments in the annual report for 2009.

Private Equity investments	DnB NOR Group	
	31 Dec.	31 Dec.
Amounts in NOK million	2010	2009
Private Equity and Management Buyout Funds in DnB NOR Bank Group	459	396
Private Equity investments in Vital	2 816	2 230
Total Private Equity investments	3 275	2 626

Note 16 Investment property

Investment properties in the Group are principally owned by Vital Forsikring. At end-December 2010, a review was made of the investment properties, based on Vital's valuation model. As a supplement to the values in the internal model, appraisals were obtained from two independent, external appraisers for properties representing 29 per cent of the values in the property portfolio in Norway. Calculations in the model and balance sheet values are 3.7 per cent higher than the average of the external appraisals, which are considered to be within an acceptable reliability interval. The Group's valuations are based on the best available information regarding the properties' characteristics and values. In line with established practice, the valuation of properties in Sweden and the portfolio in Vital Eiendomsfond is based on an external valuation. Other partially owned properties are subject to a semi-annual external valuation.

There were no changes in the market or the portfolio during 2010 which had any material impact on key parameters used in the internal valuation. The required rates of return for office premises were unchanged at 6.25 per cent during the contract period and 9.25 per cent thereafter. In principle, the same rates of return are used for hotels and shopping centres, but following an individual assessment, the required rate of return for some properties was revised downwards by up to 0.75 percentage points and upwards by up to 1.5 percentage points for others.

The property market generally showed a positive trend through 2010. Activity picked up in the rental market. Rent levels stabilised, but due to higher vacancy rates, the expected increase in rent levels largely failed to materialise. There was a significant increase in transaction volumes compared with the two preceding years, and due to strong competition for relatively few attractive properties, the return declined slightly during the year.

Through 2010, contractual rent for the wholly-owned portfolio in Norway declined by NOK 14 million to NOK 1 575 million, while market rents were down NOK 22 million to NOK 1 697 million. At year-end 2010, economic vacancy in the portfolio was 4.4 per cent, unchanged from a year earlier.

The value of investment property was adjusted upwards by NOK 300 million from end-September 2010 to end-December 2010, while there was a NOK 341 million rise in value throughout 2010.

Valuations are particularly sensitive to changes in required rates of return and assumptions regarding future income flows. Other things equal, a 0.25 percentage point change in the required rate of return will change the value of the property portfolio by 3.5 per cent or NOK 832 million. Other things equal, a 5 per cent change in future market rents will change the value of the property portfolio by 3.9 per cent or NOK 934 million.

Tenants in Vital Forsikring's properties are subject to a semi-annual credit evaluation. In the fourth quarter of 2010, 1 per cent of the tenants were categorised as non-creditworthy and unable to provide collateral.

Changes in the value of investment properties

	DnB NOR Group
Amounts in NOK million	Investment property
Recorded value as at 31 December 2008	**32 558**
Additions, purchases of new properties	1 844
Additions, capitalised investments	749
Additions, acquired companies	520
Net gains resulting from adjustment to fair value	(778)
Net gains resulting from adjustment to fair value of projects	(218)
Disposals	720
Exchange rate movements	(575)
Recorded value as at 31 December 2009 1)	**33 381**
Additions, purchases of new properties	2 025
Additions, capitalised investments	1 257
Additions, acquired companies	0
Net gains resulting from adjustment to fair value	338
Net gains resulting from adjustment to fair value of projects	3
Disposals	504
Exchange rate movements	339
Recorded value as at 31 December 2010 1)	**36 838**

1) *The value of investment properties in Vital was NOK 32 766 million as at 31 December 2009 and NOK 35 961 million as at 31 December 2010.*

Note 17 Intangible assets

	DnB NOR Group	
Amounts in NOK million	31 Dec. 2010	31 Dec. 2009
Goodwill	5 378	5 405
Postbanken brand name	0	51
Systems development	1 416	1 490
Other intangible assets	370	699
Total intangible assets	**7 164**	**7 644**

Svensk Fastighetsförmedling AB

Recorded goodwill for Svensk Fastighetsförmedling AB (SFAB) including the housing loan portfolio in Sweden was SEK 232 million at year-end 2009. In consequence of a revised strategy in Sweden, it has been decided to discontinue the sale of housing loans from DnB NOR in Sweden and the remaining goodwill related to SFAB was impaired, with an effect of NOK 194 million in the income statement for the second quarter of 2010. A required rate of return of 9.0 per cent after tax was used in the evaluation.

Other goodwill

In the fourth quarter of 2010 no impairment losses have been identified for units carrying goodwill.

Postbanken brand

The Board of Directors of DnB NOR has decided to integrate Postbanken and DnB NOR, whereby the Postbanken brand will be phased out. In consequence of the decision, the remaining value of the brand, NOK 51 million, was impaired in its entirety in the second quarter of 2010.

IT system in DnB NORD

For some time, DnB NORD has been working on developing new IT solutions for its operations. Due to significant changes in framework conditions and in the assumptions underlying the project, a new implementation plan and updated cost estimates were worked out, whereby the IT solutions were impaired by EUR 43 million in the second quarter of 2010, the equivalent of NOK 346 million.

Note 18 Debt securities issued and subordinated loan capital

As an element in liquidity management, the DnB NOR Group issues and redeems own securities.

Debt securities issued

	DnB NOR Group	
Amounts in NOK million	31 Dec. 2010	31 Dec. 2009
Commercial paper issued, nominal amount	153 934	168 028
Bond debt, nominal amount [1]	336 912	313 141
Adjustments	10 823	12 563
Total debt securities issued	**501 668**	**493 732**

Changes in debt securities issued — DnB NOR Group

Amounts in NOK million	Balance sheet 31 Dec. 2010	Issued 2010	Matured/ redeemed 2010	Exchange rate movements 2010	Other adjustments 2010	Balance sheet 31 Dec. 2009
Commercial paper issued, nominal amount	153 934	153 934	168 028	0		168 028
Bond debt, nominal amount [1]	336 912	123 600	88 985	(10 844)		313 141
Adjustments	10 823				(1 740)	12 563
Total debt securities issued	**501 668**	**277 533**	**257 013**	**(10 844)**	**(1 740)**	**493 732**

Subordinated loan capital and perpetual subordinated loan capital securities — DnB NOR Group

Amounts in NOK million	Balance sheet 31 Dec. 2010	Issued 2010	Matured/ redeemed 2010	Exchange rate movements 2010	Other adjustments 2010	Balance sheet 31 Dec. 2009
Term subordinated loan capital, nominal amount	17 167		4 704	(583)		22 455
Perpetual subordinated loan capital, nominal amount	7 005			175		6 830
Perpetual subordinated loan capital securities, nominal amount [2]	8 241			(227)		8 468
Adjustments	1 065				(232)	1 297
Total subordinated loan capital and perpetual subordinated loan capital securities	**33 479**	**0**	**4 704**	**(636)**	**(232)**	**39 051**

1) *Minus own bonds. Outstanding covered bonds in DnB NOR Boligkreditt totalled NOK 285.9 billion as at 31 December 2010. The cover pool represented NOK 395.4 billion.*

2) *Perpetual subordinated loan capital securities are eligible for inclusion in core capital by an amount not exceeding 15 per cent of total core capital. Finanstilsynet may require that the securities should be written down proportionally to equity if the bank's core capital ratio falls below 5 per cent or capital adequacy ratio falls below 6 per cent. Amounts written down on the securities must be revalued before the distribution of dividends to shareholders or revaluation of equity.*

Note 19 Capital adequacy

The DnB NOR Group follows the Basel II regulations for capital adequacy calculations. Valuation rules used in the statutory accounts form the basis for the consolidation, which is subject to special consolidation rules governed by the Consolidation Regulations.

Primary capital	**DnB NOR Bank ASA**		**DnB NOR Bank Group**		**DnB NOR Group**	
Amounts in NOK million	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009
Share capital	17 514	17 514	17 514	17 514	16 232	16 231
Other equity	61 582	54 948	72 344	65 800	94 964	85 172
Total equity	79 096	72 462	89 859	83 314	111 196	101 403
Deductions						
Pension funds above pension commitments	0	0	(16)	(3)	(119)	(119)
Goodwill	(2 419)	(1 650)	(3 472)	(3 853)	(5 378)	(5 653)
Deferred tax assets	(481)	(1 153)	(324)	(295)	(977)	(300)
Other intangible assets	(1 159)	(912)	(1 963)	(1 980)	(2 219)	(2 270)
Dividends payable etc.	0	0	(6 000)	(3 750)	(6 515)	(2 850)
Unrealised gains on fixed assets	0	0	(30)	(30)	(30)	(30)
50 per cent of investments in other financial institutions	(1 024)	(1 033)	(1 024)	(1 033)	0	(2)
50 per cent of expected losses exceeding actual losses, IRB portfolios	(515)	(101)	(666)	(222)	(666)	(222)
Adjustments for urealised losses/(gains) on liabilities recorded at fair value	94	182	(346)	(404)	(346)	(404)
Equity Tier 1 capital	73 592	67 796	76 018	71 745	94 946	89 553
Perpetual subordinated loan capital securities [1] [2]	8 241	8 468	8 423	8 655	8 423	8 655
Tier 1 capital	81 833	76 264	84 441	80 400	103 368	98 208
Perpetual subordinated loan capital	7 004	6 830	7 004	6 830	7 004	6 830
Term subordinated loan capital [2]	17 085	21 111	17 775	23 003	17 775	23 003
Deductions						
50 per cent of investments in other financial institutions	(1 024)	(1 033)	(1 024)	(1 033)	0	(2)
50 per cent of expected losses exceeding actual losses, IRB portfolios	(515)	(101)	(666)	(222)	(666)	(222)
Additions						
45 per cent of unrealised gains on fixed assets	0	0	18	18	18	18
Tier 2 capital	22 549	26 807	23 108	28 597	24 132	29 628
Total eligible primary capital [3]	104 382	103 071	107 548	108 997	127 500	127 836
Risk-weighted volume	738 194	831 885	918 659	960 208	1 028 404	1 052 566
Minimum capital requirement	59 056	66 551	73 493	76 817	82 272	84 205
Equity Tier 1 capital ratio (%)	10.0	8.1	8.3	7.5	9.2	8.5
Tier 1 capital ratio (%)	11.1	9.2	9.2	8.4	10.1	9.3
Capital ratio (%)	14.1	12.4	11.7	11.4	12.4	12.1

1) *Perpetual subordinated loan capital securities can represent up to 15 per cent of core capital. The excess will qualify as perpetual supplementary capital.*
2) *As at 31 December 2010, calculations of capital adequacy included a total of NOK 789 million in subordinated loan capital in associated companies, in addition to subordinated loan capital in the balance sheets of the banking group and the DnB NOR Group.*
3) *Primary capital and nominal amounts used in calculating risk-weighted volume deviate from figures in the consolidated accounts since a different consolidation method is used. Associated companies are consolidated gross in the capital adequacy calculations while the equity method is used in the accounts.*

Due to transitional rules, the minimum capital adequacy requirements for 2009 and 2010 cannot be reduced below 80 per cent relative to the Basel I requirements.

Note 19 Capital adequacy (continued)

Basel II implementation

Further progress

A major reduction in risk-weighted assets is expected upon full implementation of the IRB system. The IRB system is defined as the models, work processes, decision-making processes, control mechanisms, IT systems and internal guidelines and routines used to classify and quantify credit risk. Below is a time schedule for the implementation of the different reporting methods used for the Group's portfolios.

	Reporting methods for credit risk in capital adequacy calculations	
Portfolios	31 Dec. 2010	31 Dec. 2011
Retail:		
- mortgage loans, DnB NOR Bank and DnB NOR Boligkreditt	IRB [1]	IRB [1]
- qualifying revolving retail exposures, DnB NOR Bank [2]	IRB [1]	IRB [1]
- mortgage loans, Nordlandsbanken	Standardised	IRB [1]
- loans in Norway, DnB NOR Finans, DnB NOR Bank	IRB [1]	IRB [1]
Corporates:		
- small and medium-sized corporates, DnB NOR Bank	Advanced IRB	Advanced IRB
- large corporate clients (scorecard models), DnB NOR Bank	Advanced IRB	Advanced IRB
- large corporate clients (simulation models), DnB NOR Bank	Standardised	Advanced IRB
- corporate clients, Nordlandsbanken	Standardised	Advanced IRB
- leasing DnB NOR Bank	Advanced IRB	Advanced IRB
- corporate clients, DnB NOR Næringskreditt	Standardised	Advanced IRB
Securitisation positions:		
- DnB NOR Markets' liquidity portfolio	IRB [1]	IRB [1]
Institutions:		
- banks and financial institutions, DnB NOR Bank	Standardised	Advanced IRB
Exceptions:		
- approved exceptions: government and municipalities, equity positions	Standardised	Standardised
- temporary exceptions: DnB NORD, DnB NOR Luxembourg, Monchebank and various other portfolios	Standardised	Standardised

1) *There is only one IRB approach for retail exposures and securitisation positions.*
2) *Reported according to the IRB category Other retail exposures.*

Note 20 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations. The Board of Directors has established internal limits which restrict the short-term maturity of the bank's liabilities during various time periods. In addition, limits have been approved for structural liquidity risk, which implies that lending to customers should largely be financed through customer deposits, subordinated capital and long-term funding. The Group's ratio of deposits to lending was 54.8 per cent at end-December 2010, up from 53.0 per cent a year earlier. The ratio of deposits to lending in DnB NOR Bank ASA was 93.3 per cent at end-December 2010.

The short-term money markets showed a sound and stable development in the fourth quarter of 2010, and the access to maturities and prices was close to normal. The markets remained selective, and the favourable market terms were primarily available to a small group of international banks, including DnB NOR. However, the group of international banks considered to be well qualified increased in the course of the year, resulting in somewhat stronger competition for funding. Its good rating in an international context strengthened the bank's position.

The Group maintained a high level of activity within long-term funding in the fourth quarter. There was a challenging market situation, though there was ample access to funding for financially strong banks. Combined with moderate lending growth, this has helped ensure a sound liquidity position.

As at 31 December 2010, the average remaining term to maturity for the portfolio of senior bond debt was 3.6 years, compared with 3.0 years a year earlier. The Group aims to achieve a sound and stable maturity structure for funding over the next five years.

Note 21 Information on related parties

Major transactions and agreements with related parties:

Eksportfinans

DnB NOR Bank ASA has a 40 per cent ownership interest in Eksportfinans. Financial market turbulence resulted in sizeable unrealised losses in Eksportfinans' liquidity portfolio in the first quarter of 2008. In order to ensure an adequate capital base for the company, its Board of Directors implemented three measures:

- A share issue of NOK 1.2 billion aimed at the company's owners was implemented, and all owners participated based on their proportional shares.
- A portfolio hedge agreement was entered into, and the owners were invited to participate. DnB NOR Bank ASA's share of the agreement corresponded to 40.43 per cent. The agreement secures Eksportfinans against further decreases in portfolio values of up to NOK 5 billion effective from 29 February 2008. Any recovery of values relative to nominal values will accrue to the participants in the portfolio hedge agreement as payment for their hedging commitment.
- During the first quarter of 2008, Eksportfinans' largest owner banks, DnB NOR Bank ASA, Nordea Bank AB and Danske Bank A/S, approved a committed credit line giving the company access to a liquidity reserve of up to USD 4 billion. The agreement was renewed in June 2009 and in June 2010. The most recent renewal resulted in a reduction in the limit to USD 2 billion. DnB NOR Bank ASA's share of this agreement represents approximately USD 1.1 billion. At end-December 2010, Eksportfinans had not availed itself of this credit line.

The transactions with Eksportfinans have been entered into on ordinary market terms as if they had taken place between independent parties.

Stimulus packages

On 24 October 2008, the Norwegian parliament authorised the Ministry of Finance to launch a scheme whereby the government and the banks exchange Treasury bills for covered bonds for an agreed period. Norges Bank administers the scheme on commission from the Ministry of Finance.

Under the swap scheme, the government sells Treasury bills to the banks in a time-limited swap for covered bonds. The banks have free disposal over the Treasury bills they acquire and may sell them in the market if they so wish. Treasury bill maturities are between three and six months. The swap agreements last for periods of up to five years, and the banks undertake to purchase new Treasury bills when the agreement period expires. The Treasury bills are priced at NIBOR plus a premium corresponding to the margin at the time the agreement was concluded. As an additional requirement, there must be a spread of minimum 40 basis points between the agreed interest rate and the Treasury bill yield. Upon expiry of the agreements, the banks are under an obligation to repurchase the covered bonds from the government at the original selling price. Payments related to the covered bonds are credited to the banks on the same day as the payments are made, unless default occurs during the duration of the swap agreement.

DnB NOR Bank ASA has purchased bonds from DnB NOR Boligkreditt, which have been used as collateral for swap agreements with Norges Bank. The bank is required to repurchase the covered bonds at the original selling price. The bank receives yield from the covered bonds as if they never had been sold. The accounting treatment of sales of financial instruments where the seller retains substantially all the risks and returns associated with the instrument, is described in IAS 39.20 Financial Instruments – Recognition and Measurement. The bank is of the opinion that the requirement for transfer of risk and returns associated with the bonds in accordance with this standard have not been fulfilled, and that the bonds thus cannot be derecognised from the balance sheet of the bank. On a consolidated basis, the bonds are treated as own bonds and netted against issued bonds in DnB NOR Boligkreditt.

In practice, the swap agreements imply that the bank purchases Treasury bills from Norges Bank. These are initially recorded as investments in Treasury bills. The obligation to repurchase the bonds at a price corresponding to the value of the Treasury bills is recorded as funding from Norges Bank. At end-December 2010, this funding represented NOK 118.1 billion. At end-December 2010, the bank's investments in Treasury bills used in the swap agreements represented NOK 102.3 billion.

Note 22 Off-balance sheet transactions and contingencies

Off-balance sheet transactions and additional information		DnB NOR Group	
		31 Dec.	31 Dec.
Amounts in NOK million		2010	2009
Performance guarantees [1]		36 323	36 852
Payment guarantees		22 111	19 250
Loan guarantees [2]		9 690	11 774
Guarantee to the Norwegian Banks' Guarantee Fund		498	939
Guarantees for taxes etc.		4 547	4 655
Other guarantee commitments		3 052	3 892
Total guarantee commitments		76 221	77 363
Support agreements		7 695	8 045
Total guarantee commitments etc. [*]		83 916	85 408
Unutilised credit lines and loan offers [3]		412 653	408 836
Documentary credit commitments [1]		3 196	3 987
Other commitments		325	2 858
Total commitments		416 174	415 680
Total guarantee and off-balance commitments		500 090	501 088
Securities		169 633	151 067
- are pledged as security for:	Loans [4]	169 539	150 934
	Other activities	94	133
**) Of which counter-guaranteed by financial institutions*		*15*	*209*

1) *With effect from the fourth quarter of 2010, documentary credit commitments which are not related to deliveries of goods have been reclassified from documentary credit commitments to performance guarantees. Figures for previous periods have been adjusted accordingly.*
2) *DnB NOR Bank carries loans in its balance sheet that subject to legal agreement have been transferred to Eksportfinans and for which DnB NOR Bank has issued guarantees. According to the agreement, DnB NOR Bank still carries interest rate risk and credit risk for the transferred portfolio. Customer loans in the portfolio totalling NOK 9 202 million were recorded in the balance sheet as at 31 December 2010. These loans are not included under guarantees in the table.*
3) *Unutilised credit lines have been changed in line with the Basel II definition. Figures for the fourth quarter of 2009 have thus been increased by NOK 33 billion.*
4) *As at 31 December 2010, NOK 92 309 million in securities has been pledged as collateral for credit facilities with Norges Bank (the Norwegian central bank). According to regulations, these loans must be fully collateralised by a mortgage on interest-bearing securities and/or the bank's deposits with Norges Bank. As at 31 December 2010, the DnB NOR Group had borrowings of NOK 3 billion from Norges Bank.*

Contingencies

Due to its extensive operations in Norway and abroad, the DnB NOR Group will regularly be party to a number of legal actions. None of the current disputes are expected to have any material impact on the Group's financial position.

Bovista ApS in Copenhagen, which is a wholly-owned subsidiary of RC Real Estate, has sued Bank DnB NORD A/S for up to DKK 180 million plus interest, claiming that the bank has wrongfully used proceeds from the sale of properties as loan repayments without consulting the company. During the fourth quarter of 2010, a settlement was reached whereby DnB NOR Bank ASA purchased the property portfolio of the company in liquidation at market value plus a compensation in order to settle the dispute. The case has not been formally settled pending registration of the property deeds.

DnB NOR Markets Inc. in New York has been sued for up to USD 25 million plus interest and charges in connection with the underwriting of a bond issue (Lehman Brothers). The company contests the claim.

Ivar Petter Røeggen has instituted legal proceedings against DnB NOR Bank ASA, claiming that two investment agreements for structured products be declared null and void. The bank was ordered by the Oslo District Court to pay the plaintiff costs of NOK 230 000 plus interest on late payments. The judgment was passed with dissent and the bank has appealed the decision. The disputed amount only applies to the civil action in question, which must be evaluated as a separate case.

In addition to the civil action brought by Ivar Petter Røeggen, a group action against DnB NOR Bank ASA with 19 plaintiffs has been described in previous quarterly reports, relating to the sale of the same structured products as the action brought by Røeggen. The group action has been dismissed in a final judgment. The plaintiffs have subsequently submitted individual civil actions against DnB NOR Bank ASA. The bank contests the claims.

DnB NOR Bank ASA has brought an action against seven Norwegian municipalities for the settlement of interest swaps on commercial terms. The municipalities have stopped their payments under the agreements citing that full settlement took place upon payment of the residual value of the investments made. The bank's total claim in the civil action is NOK 968 million plus interest on overdue payments.

KLP Kreditt AS has instituted legal proceedings against DnB NOR Bank ASA, claiming repayment of too high guarantee commissions paid and has contended that the bank is not entitled to regulate guarantee commission rates for a loan portfolio of just under NOK 2 billion in excess of an alleged agreed fixed rate. The bank contests the claims.

DnB NOR ASA

Income statement

Amounts in NOK million	4th quarter 2010	4th quarter 2009	Full year 2010	Full year 2009
				DnB NOR ASA
Total interest income	122	23	471	122
Total interest expenses	105	93	396	523
Net interest income	**17**	**(70)**	**74**	**(401)**
Commissions and fees payable etc.	1	2	6	5
Other income [1)]	9 533	5 114	9 533	5 114
Net other operating income	**9 532**	**5 113**	**9 527**	**5 109**
Total income	**9 549**	**5 043**	**9 602**	**4 708**
Salaries and other personnel expenses	2	1	6	6
Other expenses	54	43	213	202
Depreciation and write-downs of fixed and intangible assets	0	0	0	0
Total operating expenses	**56**	**45**	**219**	**208**
Pre-tax operating profit	**9 493**	**4 998**	**9 383**	**4 500**
Taxes	2 322	1 426	2 292	1 286
Profit for the period	**7 171**	**3 572**	**7 092**	**3 214**
Earnings/diluted earnings per share (NOK)	4.40	2.66	4.35	2.41
Earnings per share excluding operations held for sale (NOK)	4.40	2.66	4.35	2.41

1) *Dividends from group companies/group contributions.*

Balance sheet

Amounts in NOK million	31 Dec. 2010	31 Dec. 2009
		DnB NOR ASA
Assets		
Deposits with DnB NOR Bank ASA	25 981	22 747
Lending to other group companies	225	228
Investments in group companies	51 216	51 126
Receivables due from Vital	4 833	0
Other assets	0	0
Total assets	**82 255**	**74 101**
Liabilities and equity		
Loans from and outstandings to DnB NOR Bank ASA	10 240	11 161
Outstandings to other group companies	5 171	95
Other liabilities and provisions	7 360	3 937
Paid-in capital	38 844	38 844
Retained earnings	20 640	20 064
Total liabilities and equity	**82 255**	**74 101**

Statement of changes in equity

Amounts in NOK million	Share capital	Share premium reserve	Other equity	Total equity
				DnB NOR ASA
Balance sheet as at 31 December 2008	**13 327**	**11 668**	**19 700**	**44 694**
Profit for the period			3 214	3 214
Dividends for 2009 (NOK 1.75 per share)			(2 850)	(2 850)
Issue of share capital	2 961	10 889		13 850
Balance sheet as at 31 December 2009	**16 288**	**22 556**	**20 064**	**58 908**
Profit for the period			7 092	7 092
Dividends for 2010 (NOK 4.00 per share [1)])			(6 515)	(6 515)
Balance sheet as at 31 December 2010	**16 288**	**22 556**	**20 640**	**59 484**

1) *Proposed dividend.*

Accounting principles

DnB NOR ASA has prepared accounts according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-5, on the use of IFRS (International Financial Reporting Standards). These regulations give permission to record provisions for dividends and group contributions in subsidiaries as income and record the Board of Directors' proposed dividends and group contributions as liabilities on the balance sheet date. According to IFRS, dividends should be classified as equity until approved by the general meeting. A description of the accounting principles applied by DnB NOR ASA in preparing the accounts is found in the annual report for 2009.

Key figures

	DnB NOR Group			
	4th quarter 2010	4th quarter 2009	Full year 2010	Full year 2009
Interest rate analysis				
1. Combined weighted total average spread for lending and deposits (%)	1.17	1.13	1.15	1.15
2. Spread for ordinary lending to customers (%)	1.67	1.61	1.61	1.61
3. Spread for deposits from customers (%)	0.27	0.23	0.32	0.29
Rate of return / profitability				
4. Net other operating income, per cent of total income	42.5	36.0	40.8	39.8
5. Cost/income ratio (%)	43.1	49.3	47.6	48.1
6. Return on equity, annualised (%)	19.6	10.1	13.6	10.6
7. RARORAC, annualised (%)	27.8	15.0	19.0	17.2
8. RORAC, annualised (%)	48.2	15.5	25.2	12.6
9. Average equity including allocated dividend (NOK million)	107 173	84 110	103 292	81 236
10. Return on average risk-weighted volume, annualised (%)	2.00	0.63	1.17	0.83
Financial strength				
11. Tier 1 capital ratio at end of period (%)	10.1	9.3	10.1	9.3
12. Capital ratio at end of period (%)	12.4	12.1	12.4	12.1
13. Tier 1 capital at end of period (NOK million)	103 368	98 208	103 368	98 208
14. Risk-weighted volume at end of period (NOK million)	1 028 404	1 052 566	1 028 404	1 052 566
Loan portfolio and write-downs				
15. Individual write-downs relative to average net lending to customers, annualised	0.33	0.46	0.36	0.53
16. Write-downs relative to average net lending to customers, annualised	0.18	0.53	0.26	0.67
17. Net non-performing and net doubtful commitments, per cent of net lending	1.55	1.71	1.55	1.71
18. Net non-performing and net doubtful commitments at end of period (NOK million)	18 409	19 127	18 409	19 127
Liquidity				
19. Ratio of customer deposits to net lending to customers at end of period (%)	54.8	53.0	54.8	53.0
Total assets owned or managed by DnB NOR				
20. Customer assets under management at end of period (NOK billion)	509	468	509	468
21. Total combined assets at end of period (NOK billion)	2 141	2 076	2 141	2 076
22. Average total assets (NOK billion)	1 995	1 935	1 970	1 906
23. Customer savings at end of period (NOK billion)	1 151	1 059	1 151	1 059
Staff				
24. Number of full-time positions at end of period	13 021	13 317	13 021	13 317
The DnB NOR share				
25. Number of shares at end of period (1 000)	1 628 799	1 628 799	1 628 799	1 628 799
26. Average number of shares (1 000)	1 628 799	1 345 391	1 628 799	1 335 838
27. Earnings per share (NOK)	3.25	1.58	8.66	6.43
28. Earnings per share excluding operations held for sale (NOK)	3.22	1.52	8.62	6.37
29. Dividend per share (NOK) [1)]	-	-	4.00	1.75
30. Total shareholders' return (%)	2.3	(1.2)	33.9	144.7
31. Dividend yield (%)	-	-	4.88	2.79
32. Equity per share including allocated dividend at end of period (NOK)	68.27	60.56	68.27	60.56
33. Share price at end of period (NOK)	81.90	62.75	81.90	62.75
34. Diluted share price at end of period, adjusted for rights issue (NOK)	81.90	62.75	81.90	62.75
35. Price/earnings ratio	6.36	10.33	9.50	9.85
36. Price/book value	1.20	1.04	1.20	1.04
37. Market capitalisation (NOK billion)	133.4	102.2	133.4	102.2

1) Proposed dividend for 2010.

For definitions of selected key figures, see next page.

Key figures (continued)

Definitions

1, 2, 3	Based on nominal values excluding lending to and deposits with credit institutions and impaired loans, measured against the 3-month money market rate.
5	Total operating expenses relative to total income. Expenses exclude impairment losses for goodwill and other intangible assets and reversals of provisions for contractual early retirement pensions. Total income exclude gains resulting from the merger between the payment services company Nordito and the Danish PBS Holding.
6	Profit for the period, excluding profit attributable to minority interests. Average equity is calculated on the basis of recorded equity excluding minority interests.
7	RARORAC (Risk-Adjusted Return On Risk-Adjusted Capital) is defined as risk-adjusted profits relative to risk-adjusted capital requirement. Risk-adjusted profits indicate the level of profits in a normalised situation. The risk-adjusted capital requirement is described in further detail in the chapter "Management in DnB NOR" in the DnB NOR Group's annual report for 2009.
8	RORAC (Return On Risk-Adjusted Capital) is defined as profits for the period relative to risk-adjusted capital requirement. Profits for the period exclude profits attributable to minority interests and are adjusted for the period's change in fair value recognised directly in equity and for the difference between recorded interest on average equity and interest on risk-adjusted capital.
10	Profit for the period relative to average risk-weighted volume.
20	Total assets under management for customers in Insurance and Asset Management.
21	Total assets and customer assets under management.
23	Total deposits from customers, assets under management and equity-linked bonds.
25	The Annual General Meeting on 27 April 2010 authorised the Board of Directors of DnB NOR ASA to acquire own shares for a total face value of up to NOK 1 547 358 918, corresponding to 9.5 per cent of share capital. The shares may be purchased through the stock market. Each share may be purchased at a price between NOK 10 and NOK 150. The authorisation is valid for a period of 12 months from 27 April 2010. Acquired shares shall be redeemed in accordance with regulations on the reduction of capital. An agreement has been signed with the Ministry of Trade and Industry for the redemption of a proportional share of government holdings to ensure that the government's percentage ownership does not change as a result of the redemption of repurchased shares.
27	Excluding profits attributable to minority interests. Holdings of own shares are not included in calculations of the number of shares.
28	Excluding operations held for sale and profits attributable to minority interests. Holdings of own shares are not included in calculations of the number of shares.
30	Closing price at end of period less closing price at beginning of period, including dividends reinvested in DnB NOR shares on the dividend payment date, relative to closing price at beginning of period.
32	Equity at end of period excluding minority interests relative to number of shares at end of period.
35	Closing price at end of period relative to annualised earnings per share.
36	Closing price at end of period relative to recorded equity at end of period.
37	Number of shares multiplied by the closing share price at end of period.

Profit and balance sheet trends

Income statement — **DnB NOR Group**

Amounts in NOK million	4th quarter 2010	3rd quarter 2010	2nd quarter 2010	1st quarter 2010	4th quarter 2009
Total interest income	15 168	14 803	13 896	13 041	12 667
Total interest expenses	9 015	8 825	8 152	7 480	7 061
Net interest income	**6 153**	**5 978**	**5 744**	**5 561**	**5 606**
Commissions and fees receivable etc.	2 420	2 367	2 311	2 162	2 137
Commissions and fees payable etc.	511	587	588	534	521
Net gains on financial instruments at fair value	1 684	225	1 754	1 298	1 066
Net gains on assets in Vital	6 404	4 156	754	3 760	4 107
Guaranteed returns and allocations to policyholders in Vital	5 879	3 324	944	3 353	3 798
Premium income etc. included in the risk result in Vital	1 242	1 164	1 173	1 142	1 169
Insurance claims etc. included in the risk result in Vital	1 248	1 195	1 226	1 308	1 240
Premium income non-life insurance	273	260	242	233	221
Insurance claims etc. non-life insurance	249	206	200	263	201
Profit from companies accounted for by the equity method	72	99	(52)	61	(49)
Other income	343	356	1 571	294	268
Net other operating income	**4 553**	**3 315**	**4 795**	**3 493**	**3 160**
Total income	**10 706**	**9 294**	**10 538**	**9 054**	**8 766**
Salaries and other personnel expenses	2 438	2 419	2 452	1 950	2 493
Other expenses	1 685	1 641	1 869	1 799	1 446
Depreciation and write-downs of fixed and intangible assets	487	421	983	366	718
Total operating expenses	**4 610**	**4 482**	**5 304**	**4 115**	**4 657**
Net gains on fixed and intangible assets	26	(11)	(1)	10	19
Write-downs on loans and guarantees	529	643	878	947	1 517
Pre-tax operating profit	**5 593**	**4 157**	**4 355**	**4 002**	**2 610**
Taxes	367	1 149	1 524	1 081	1 001
Profit from operations and non-current assets held for sale, after taxes	57	30	(8)	(4)	80
Profit for the period	**5 284**	**3 038**	**2 823**	**2 917**	**1 689**
Earnings/diluted earnings per share (NOK)	3.25	1.90	2.01	1.92	1.58

Profit and balance sheet trends (continued)

Balance sheet					**DnB NOR Group**
	31 Dec.	30 Sept.	30 June	31 March	31 Dec.
Amounts in NOK million	2010	2010	2010	2010	2009
Assets					
Cash and deposits with central banks	16 198	16 049	9 807	15 287	31 859
Lending to and deposits with credit institutions	47 792	50 369	213 009	75 514	62 317
Lending to customers	1 170 341	1 152 001	1 154 491	1 125 946	1 114 886
Commercial paper and bonds	204 204	213 326	189 715	227 846	225 415
Shareholdings	75 179	66 534	65 074	63 113	58 227
Financial assets, customers bearing the risk	23 506	21 903	21 149	21 193	21 337
Financial derivatives	78 156	99 179	94 829	72 277	70 072
Commercial paper and bonds, held to maturity	179 461	180 015	181 465	179 185	179 832
Investment property	36 838	34 498	34 012	33 626	33 381
Investments in associated companies	2 307	1 912	1 816	2 579	2 521
Intangible assets	7 164	7 000	6 884	7 431	7 644
Deferred tax assets	915	227	223	256	246
Fixed assets	7 789	5 673	5 608	5 519	5 482
Operations and non-current assets held for sale	1 271	1 304	1 310	1 314	1 255
Other assets	10 499	13 467	13 214	11 221	8 979
Total assets	**1 861 620**	**1 863 457**	**1 992 607**	**1 842 309**	**1 823 453**
Liabilities and equity					
Loans and deposits from credit institutions	257 931	258 063	338 678	305 097	302 669
Deposits from customers	641 914	606 502	621 882	585 835	590 745
Financial derivatives	60 871	69 256	62 553	53 167	53 019
Debt securities issued	501 668	533 313	575 611	498 796	493 732
Insurance liabilities, customers bearing the risk	23 506	21 903	21 149	21 193	21 337
Liabilities to life insurance policyholders	205 550	202 226	198 255	200 698	193 556
Insurance liabilities, non-life insurance	1 091	1 051	1 042	960	704
Payable taxes	4 865	3 687	2 594	8 973	9 093
Deferred taxes	116	510	629	550	525
Other liabilities	14 738	18 900	21 814	19 308	12 331
Operations held for sale	387	373	376	347	366
Provisions	4 308	4 558	4 585	4 546	4 923
Subordinated loan capital	33 479	35 857	38 941	38 614	39 051
Total liabilities	**1 750 424**	**1 756 200**	**1 888 108**	**1 738 085**	**1 722 050**
Minority interests	0	1 965	2 011	2 448	2 755
Share capital	16 232	16 233	16 216	16 222	16 231
Share premium reserve	22 609	22 609	22 609	22 609	22 609
Other equity	72 356	66 450	63 663	62 945	59 808
Total equity	**111 196**	**107 257**	**104 498**	**104 224**	**101 403**
Total liabilities and equity	**1 861 620**	**1 863 457**	**1 992 607**	**1 842 309**	**1 823 453**

Information about the DnB NOR Group

Head office DnB NOR ASA

Mailing address	NO-0021 Oslo
Visiting address	Stranden 21, Oslo
Telephone	+47 915 03000
Internet	dnbnor.no
Organisation number	Register of Business Enterprises NO 981 276 957 MVA

Board of Directors in DnB NOR ASA

Anne Carine Tanum, chairman
Bjørn Sund, vice-chairman
Gunilla Berg
Bente Brevik
Per Hoffmann
Jørn O. Kvilhaug
Bent Pedersen
Tore Olaf Rimmereid
Ingjerd Skjeldrum

Group management

Rune Bjerke	Group chief executive
Bjørn Erik Næss	Chief financial officer
Karin Bing Orgland	Group executive vice president, Retail Banking
Leif Teksum	Group executive vice president, Large Corporates and International
Ottar Ertzeid	Group executive vice president, DnB NOR Markets
Tom Rathke	Group executive vice president, Insurance and Asset Management
Liv Fiksdahl	Group executive vice president, Operations
Solveig Hellebust	Group executive vice president, HR
Cathrine Klouman	Group executive vice president, IT

Investor Relations

Bjørn Erik Næss, chief financial officer	tel. +47 22 48 29 22	bjorn.erik.naess@dnbnor.no
Per Sagbakken, head of IR/Long-term Funding	tel. +47 22 48 20 72	per.sagbakken@dnbnor.no
Thor Tellefsen	tel. +47 22 94 93 88	thor.tellefsen@dnbnor.no
Trond Sannes Marthinsen	tel. +47 22 94 93 76	trond.marthinsen@dnbnor.no

Financial calendar 2011

Preliminary results 2010 and fourth quarter 2010	10 February
Annual General Meeting	28 April
Ex-dividend date	29 April
Distribution of dividends	as of 10 May
First quarter 2011	6 May
Capital Markets Day, Oslo	15 June
Second quarter 2011	12 July
Third quarter 2011	27 October

Other sources of information

Annual reports

Annual reports for the DnB NOR Group are available on dnbnor.no. Separate annual reports are prepared for the DnB NOR Bank Group and Vital.

Quarterly publications

Quarterly reports and supplementary information for investors and analysts are available on dnbnor.no. Separate quarterly reports are prepared for the DnB NOR Bank Group and Vital.

The publications can be ordered by sending an e-mail to investor.relations@dnbnor.no.

The quarterly report has been produced by Group Financial Reporting in DnB NOR.
Translation: Gina Fladmoe and Nathalie Samuelsen, DnB NOR.

DnB NOR
Stranden 21
Aker Brygge
N-0021 Oslo