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DNB GROUP

Fourth quarter report 2011
(PRELIMINARY AND UNAUDITED)

Key figures

Income statement	DNB Group			
	4th quarter 2011	4th quarter 2010	Full year 2011	Full year 2010
<i>Amounts in NOK million</i>				
Net interest income	6 792	6 153	25 252	23 436
<i>Net commissions and fees, core business ¹⁾</i>	1 632	1 926	7 436	7 293
<i>Net financial items</i>	3 967	2 627	9 317	8 863
Net other operating income, total	5 599	4 553	16 754	16 156
Ordinary operating expenses	5 206	4 610	19 792	17 920
Other expenses	380	0	380	591
Pre-tax operating profit before write-downs	6 806	6 096	21 833	21 081
Net gains on fixed and intangible assets	(1)	26	19	24
Write-downs on loans and guarantees	926	529	3 445	2 997
Pre-tax operating profit	5 878	5 593	18 407	18 108
Taxes	1 790	367	5 423	4 121
Profit from operations held for sale, after taxes	0	57	(5)	75
Profit for the period	4 089	5 284	12 979	14 062
Profit attributable to shareholders	4 089	5 349	12 979	14 814
Profit attributable to minority interests	0	(65)	0	(752)

Balance sheet	31 Dec. 2011	31 Dec. 2010
<i>Amounts in NOK million</i>		
Total assets	2 126 098	1 861 620
Lending to customers	1 279 259	1 170 341
Deposits from customers	740 036	641 914
Total equity	117 815	111 196
Average total assets	2 147 853	1 969 557
Total combined assets	2 388 588	2 140 868

Key figures	4th quarter 2011	4th quarter 2010	Full year 2011	Full year 2010
Combined weighted total average spread for lending and deposits (per cent)	1.14	1.17	1.12	1.15
Cost/income ratio (per cent)	42.0	43.1	47.1	47.6
Write-downs relative to average net lending to customers, annualised	0.29	0.18	0.28	0.26
Return on equity, annualised (per cent)	13.8	19.6	11.4	13.6
Earnings per share (NOK)	2.51	3.25	7.98	8.66
Dividend per share (NOK) ²⁾	-	-	2.00	4.00
Equity Tier 1 capital ratio at end of period (per cent)	9.4	9.2	9.4	9.2
Tier 1 capital ratio at end of period (per cent)	9.9	10.1	9.9	10.1
Capital ratio at end of period (per cent)	11.4	12.4	11.4	12.4
Share price at end of period (NOK)	58.55	81.90	58.55	81.90
Price/book value	0.81	1.20	0.81	1.20

1) Includes commissions and fees related to money transfers and interbank transactions, asset management services, credit broking, real estate broking, custodial services and securities trading as well as sale of insurance products and other income from banking services.

2) Proposed dividend for 2011.

There has been no full or partial external audit of the quarterly directors' report and accounts, though the report has been reviewed by DNB's Group Audit. The report has also been reviewed by the Audit Committee.

Fourth quarter and full year report 2011

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Fourth quarter and full year report 2011

Fourth quarter 2011

DNB recorded profits of NOK 4 089 million in the fourth quarter of 2011, down from NOK 5 284 million in the year-earlier period. The accounts reflected both negative and positive effects of the economic downturn which started in the third quarter of the year.

Total income rose by NOK 1 686 million, while operating expenses were up NOK 976 million. Brisk activity and significant initiatives in the business areas gave a rise in income as well as an increase in investments and costs. Net interest income showed a healthy trend. The financial market turbulence ensured significant income from mark-to-market adjustments of liabilities and associated instruments, while income from DNB Livsforsikring was reduced. Write-downs on loans and guarantees increased by NOK 397 million due to a certain weakening of the economic situation, while the tax charge rose by NOK 1 423 million. This was a result of particularly low taxes in the fourth quarter of 2010, partly due to tax-exempt income on equities in DNB Livsforsikring. Pre-tax operating profits before write-downs came to NOK 6 806 million, up from NOK 6 096 million in the fourth quarter of 2010.

Over the past few months, DNB has succeeded in reversing the falling trend in its market shares of lending, and lending volumes rose by 9.3 per cent from year-end 2010. Parallel to this, the Group has worked systematically to increase deposits, and the deposit volume was up 15.3 per cent during the corresponding period. In terms of NOK, deposits increased almost as much as lending, which gave a significant increase in the ratio of deposits to lending, from 54.8 per cent at end-December 2010 to 57.8 per cent at year-end 2011. Average lending spreads contracted by 0.03 percentage points from the fourth quarter of 2010. After a decline in the first part of 2011, there was a marked widening of spreads in the fourth quarter, which partly compensated for the effect of increased funding costs on spreads. In addition, this has enabled DNB to adapt its pricing to a somewhat higher risk level. Deposit spreads increased by 0.01 percentage points during the corresponding period. Competition for deposits remained strong. Total net interest income rose by NOK 639 million or 10.4 per cent from the fourth quarter of 2010.

Net other operating income increased by NOK 1 046 million from the fourth quarter of 2010. Income from foreign exchange and interest rate instruments rose significantly by NOK 2 647 million during the quarter. Eksportfinans, in which DNB has a 40 per cent holding, recorded sizeable income related to mark-to-market adjustments of the company's own debt in the fourth quarter of 2011 due to the downgrading of the company. DNB has written down this increase in value in its accounts. In light of the weak financial market developments, other net operating income showed a satisfactory trend during the period.

Ordinary operating expenses before impairment losses for goodwill and intangible assets increased by NOK 596 million from the fourth quarter of 2010. The rise in costs must be viewed in light of higher activity levels and resulting income growth generated during the period. In addition, DNB continued its investment programme to improve the Group's IT solutions.

At NOK 926 million, write-downs on loans and guarantees were higher than in the fourth quarter of 2010, but lower than in the third quarter of 2011. Individual write-downs were relatively stable from the fourth quarter of 2010, while there was an increase in collective write-downs due to sizeable reversals in the fourth quarter of 2010.

Return on equity was 13.8 per cent, down from 19.6 per cent in the October through December period in 2010. Earnings per share were NOK 2.51 in the fourth quarter of 2011, a decline from NOK 3.25 in the year-earlier period.

The Group continued its adaptations to the new liquidity and capital requirements which are expected to be introduced over the next few years. Market uncertainty reduced the general access to funding during the second half of the year, and funding costs continued to rise. The disquiet regarding the downgrading of Eksportfinans reinforced this trend. In spite of the market turmoil, DNB had good access to funding at year-end 2011.

DNB was ranked as Norway's best digital company by the media agency company Starcom. 161 companies representing 20 industry sectors participated. This demonstrates that DNB's initiatives on Facebook and other digital media, where the Group expects to meet an increasing share of its customer base in the future, have been successful.

DNB climbed from 52nd to 9th place in Universum's survey of attractive IT employers among students and young employees and was also named "climber of the year". Once again, DNB achieved second place in the Business category.

Income statement for the fourth quarter

Net interest income

<i>Amounts in NOK million</i>	4th quarter 2011	Change	4th quarter 2010
Net interest income	6 792	639	6 153
Lending and deposit volumes		692	
Guarantee fund levy		182	
Equity and non-interest-bearing items		109	
Lending and deposit spreads		(61)	
Exchange rate movements		(108)	
Long-term funding costs		(131)	
Other net interest income		(43)	

Net interest income showed a healthy trend during the period, rising by NOK 639 million from the fourth quarter of 2010, which mainly reflected volume growth in both Retail Banking and Large Corporates and International. Average lending volumes increased by 8.7 per cent from the year-earlier period. Deposit volumes also showed a very positive trend, rising by 13.0 per cent on average. The ratio of deposits to lending increased by 3.0 percentage points to 57.8 per cent at end-December 2011.

Average lending spreads contracted by 0.03 percentage points from the fourth quarter of 2010, but showed a significant increase from the third quarter of 2011. The Group raised interest rates for personal customers towards the end of the third quarter, which had a positive lag effect on interest income in the fourth quarter. Parallel to this, interest rates in the corporate market were adjusted to reflect rising funding costs and greater risk. Average lending spreads widened by 0.01 percentage points from the fourth quarter of 2010. There was still intense competition for deposits.

Higher long-term funding costs reduced income by NOK 131 million compared with the fourth quarter of 2010. However, as the Group was not required to pay guarantee fund levies in 2011, amounting to NOK 182 million in 2010, the reduction in income was offset.

Net other operating income

Amounts in NOK million	4th quarter		4th quarter
	2011	Change	2010
Net other operating income	5 599	1 046	4 553
Net gains on foreign exchange and interest rate instruments ¹⁾		2 647	
Profits from associated companies		39	
Net income from DNB Skadeforsikring		39	
Real estate broking		37	
Net unrealised gains on investment property		(132)	
Net other commissions and fees		(299)	
Net financial and risk result from DNB Livsforsikring ²⁾		(329)	
Net stock market-related income		(1 049)	
Other operating income		94	

1) Excluding guarantees.

2) Guaranteed returns and allocations to policyholders deducted.

Net other operating income increased by NOK 1 046 million from the fourth quarter of 2010. There was a particularly high level of income from mark-to-market adjustments on foreign exchange and interest rate instruments, which increased by a total of NOK 2 647 million from the year-earlier period. The Group will record a high level of such income when the financial markets are volatile, though the income will be reversed over the instruments' term to maturity. In more stable markets, market values will be reduced. Income from mark-to-market adjustments is offset by the financial and risk result from DNB Livsforsikring, which is negatively affected by volatile and weak markets. There was a NOK 329 million reduction in the financial and risk result from DNB Livsforsikring compared with the fourth quarter of 2010. In addition, following a review of operating systems and routines in DNB Livsforsikring, a downward adjustment of profits of NOK 282 million was required. In light of market developments, operating income in other areas of operation was at a satisfactory level.

Operating expenses

Amounts in NOK million	4th quarter		4th quarter
	2011	Change	2010
Operating expenses	5 586	976	4 610
<i>Non-recurring costs</i>			
Impairment losses for goodwill and intangible assets		380	
Brand development and establishment costs		146	
<i>Income-related items</i>			
Increase in full-time positions		64	
Operational leasing		10	
København Ejendomme		8	
Performance-based pay		27	
<i>Expenses related to operations</i>			
Cost programme		(75)	
Wage and price inflation		111	
IT expenses		146	
Rise in pension expenses		71	
Properties and premises		64	
Other costs		25	

The Group's operating expenses were up NOK 976 million from the fourth 2010. Adjusted for impairment losses for goodwill and intangible assets, there was an increase of NOK 596 million. The Group further expanded its operations in Norway and internationally, and there were rising costs in areas where remunerations are directly linked to income.

The Group has also increased its IT development activity to

ensure that the IT systems adequately support the Group's strategic priority areas. Large-scale IT projects have been implemented to discontinue the Postbanken brand and develop and establish a new brand for the Group.

The cost programme was on schedule for reaching the programme targets at year-end 2011.

Write-downs on loans and guarantees

Write-downs on loans and guarantees totalled NOK 926 million for the quarter, which represented an increase of NOK 397 million from the fourth quarter of 2010, but a reduction of NOK 244 million from the third quarter of 2011.

Individual write-downs in Retail Banking showed a slight reduction from the fourth quarter of 2010, while there was a NOK 126 million increase in Large Corporates and International, relating primarily to the Nordic Corporates and Shipping, Offshore and Logistics divisions. Following an increase in the third quarter of 2011, individual write-downs in the Baltics and Poland returned to a level which was lower than in 2010.

There was a NOK 94 million reversal on collective write-downs in the fourth quarter of 2011.

Net non-performing and doubtful commitments totalled NOK 19.5 billion at end-December 2011, increasing from NOK 18.4 billion at year-end 2010 and from NOK 14.5 billion at end-September 2011. A higher risk of individual losses was identified on small parts of certain large commitments in the fourth quarter of 2011. In such cases, the entire commitments are classified as non-performing and doubtful, which explains the rise from the third quarter of 2011. There was no general deterioration in the Group's loan portfolio during the quarter. Net non-performing and doubtful commitments represented 1.55 and 1.50 per cent, respectively, of lending volume at end-December 2010 and 2011.

Taxes

The DNB Group's tax charge for the fourth quarter of 2011 was NOK 1 790 million, up from NOK 367 million in the year-earlier period. The main factor behind the increase was the tax exemption rules for equity investments, which ensured sizeable tax-exempt gains on equities in DNB Livsforsikring in the fourth quarter of 2010, while there was a limited extent of such income in the fourth quarter of 2011. Relative to pre-tax operating profits, the estimated tax charge increased to 30.5 per cent in the fourth quarter of 2011, from 6.6 per cent in the year-earlier period.

Business areas

Activities in DNB are organised in the business areas Retail Banking, Large Corporates and International, DNB 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. In addition, operations in DNB Baltics and Poland are reported as a separate profit centre.

Retail Banking

Retail Banking is responsible for serving the Group's 2.1 million personal customers and some 220 000 corporate customers through the branch network in Norway. DNB aspires to be a local bank for the whole of Norway, while offering the expertise of a large bank. The aim is that coordinated service to these customer segments will make the services more accessible and give customers good personal financial advice.

Pre-tax operating profits totalled NOK 1 842 million in the fourth quarter of 2011, an increase of NOK 117 million from the year-earlier period. The profit for the year also showed a positive trend, rising by NOK 495 million to NOK 7 214 million in 2011. There was a positive development in volumes and a satisfactory trend in non-performing commitments and write-downs.

<i>Income statement in NOK million</i>	4th quarter		Full year	
	2011	2010	2011	2010
Net interest income	3 812	3 631	14 397	14 139
Other operating income	892	781	3 681	3 501
Income attributable to product suppliers	340	347	1 328	1 263
Net other operating income	1 232	1 128	5 010	4 764
Total income	5 044	4 760	19 406	18 903
Other operating expenses	2 752	2 490	10 659	10 290
Costs attributable to product suppliers	176	187	658	675
Total operating expenses	2 929	2 677	11 317	10 965
Pre-tax operating profit before write-downs	2 116	2 083	8 089	7 938
Net gains on fixed assets	(0)	5	2	6
Net write-downs on loans ¹⁾	274	362	877	1 225
Pre-tax operating profit	1 842	1 725	7 214	6 719

Average balance sheet items in NOK billion

Net lending to customers	809.2	750.1	784.0	737.7
Deposits from customers	424.4	387.7	404.9	377.6

Key figures in per cent

Lending spread ²⁾	1.57	1.69	1.54	1.66
Deposit spread ²⁾	0.43	0.37	0.45	0.44
Return on risk-adjusted capital ³⁾	23.8	23.4	24.6	24.1
Cost/income ratio	58.1	56.2	58.3	57.0
Ratio of deposits to lending	52.5	51.7	51.6	51.2

Full time positions, at end of period 5 040 4 842

1) Including collective write-downs from 2011.

2) Calculated relative to the 3-month money market rate.

3) Calculated on the basis of internal measurement of risk-adjusted capital.

Retail Banking showed a stable, sound trend in 2011. Average net lending increased by 7.9 per cent from the fourth quarter of 2010 to the corresponding period in 2011. The growth rates for both home mortgages and lending to small and medium-sized businesses increased through the year, parallel to a positive trend for deposits. Compared with the year-earlier period, average deposits rose by 9.5 per cent, while the average ratio of deposits to lending was 52.5 per cent for the quarter. Along with customer deposits, covered bonds based on home mortgages in DNB Boligkreditt were key sources of funding. At end-December 2011, 95 per cent of lending volume in Retail Banking was funded by deposits and covered bonds.

Net interest income rose by NOK 181 million from the fourth quarter of 2010. Increasing volumes and the discontinuation of guarantee fund levies compensated for the pressure on interest rate spreads, rising funding costs and lag effects related to the implementation of interest rate adjustments. The weighted interest rate spread, defined as total margin income on loans and deposits relative to total loans and deposits, was 1.18 per cent in the fourth quarter of 2011, down from 1.24 per cent in the year-earlier period. Relative to the 3-month money market rate, the spread on home mortgages was 0.84 per cent in the fourth quarter of 2011, down from 1.04 per cent in the year-earlier period.

Net other operating income increased by NOK 104 million compared with the fourth quarter of 2010, reflecting higher net income from payment transactions and a higher level of activity within real estate broking.

High market activity and IT development contributed to raising operating expenses. The number of full-time positions was 5 040 at end-December 2011, with 4 695 in the business area's units in Norway.

The quality of the loan portfolio was sound, with relatively low net write-downs in both the retail and corporate markets. Net write-downs represented 0.13 per cent of net lending, down from 0.19 per cent in the fourth quarter of 2010. Net non-performing and doubtful commitments amounted to NOK 6.2 billion at end-December 2011, down

NOK 0.9 billion from end-December 2010.

The Group's market share of credit to households showed a positive trend through 2011 and stood at 27.8 per cent as at 30 November, an increase from 27.5 per cent at year-end 2010. The Group's market share of household deposits was 3.9 per cent on the same date.

In December 2011, DNB was ranked as Norway's best digital company by the media agency company Starcom. DNB is committed to using social media as a marketing channel, including Facebook. With effect from December 2011, electronic signing of medical history declarations in connection with life insurance products was introduced in the Internet bank.

The financial market turmoil and uncertain prospects for the global economy have also had a dampening effect on the Norwegian economy. New requirements with respect to improved liquidity and a higher share of long-term funding are expected to result in higher funding costs for banks and contribute to increasing interest rate levels. Competition for stable deposits will remain strong. Financial market developments may necessitate wider lending spreads relative to the short-term money market rate. The level of write-downs on loans in both the personal and corporate customer segments is expected to remain low.

Large Corporates and International

Large Corporates and International serves large Norwegian and international corporate customers based on broad industry expertise and long-term relationships.

Pre-tax operating profits came to NOK 1 846 million, up NOK 13 million from the fourth quarter of 2010. The profit for the year rose by NOK 610 million compared with 2010, to NOK 6 734 million.

<i>Income statement in NOK million</i>	4th quarter		Full year	
	2011	2010	2011	2010
Net interest income	2 407	1 773	8 183	6 492
Other operating income	190	388	972	1 151
Income attributable to product suppliers	516	661	2 100	2 006
Net other operating income	706	1 049	3 072	3 157
Total income	3 113	2 822	11 255	9 649
Operating expenses	712	533	2 473	2 130
Costs attributable to product suppliers	219	266	873	806
Total operating expenses	931	799	3 346	2 935
Pre-tax operating profit before write-downs	2 182	2 023	7 909	6 713
Net gains on fixed assets	0	0	0	0
Net write-downs on loans ¹⁾	336	190	1 176	589
Pre-tax operating profit	1 846	1 833	6 734	6 124

Average balance sheet items in NOK billion

Net lending to customers	395.0	350.6	367.3	341.1
Deposits from customers	249.5	228.1	234.7	209.7

Key figures in per cent

Lending spread ²⁾	1.76	1.52	1.66	1.44
Deposit spread ²⁾	(0.01)	0.06	0.02	0.10
Return on risk-adjusted capital ³⁾	20.9	21.3	20.6	18.0
Cost/income ratio	29.9	28.3	29.7	30.4
Ratio of deposits to lending	63.2	65.1	63.9	61.5

Full time positions, at end of period 1 174 1 103

1) Including collective write-downs from 2011.

2) Calculated relative to the 3-month money market rate.

3) Calculated on the basis of internal measurement of risk-adjusted capital.

There were good opportunities in the markets during the fourth quarter of 2011, and average lending increased by 12.7 per cent from the fourth quarter of 2010. A large part of Large Corporates and International's financial transactions are denominated in US dollars,

and adjusted for the depreciation of the US dollar rate from the fourth quarter of 2010, there was a 15.0 per cent rise in lending. The greater part of this increase took place during the second half of 2011, and lending volumes expanded by NOK 23.8 billion from the third to the fourth quarter. There was a significant rise in deposits towards the end of 2011, with an average growth rate of 9.4 per cent compared with both the fourth quarter of 2010 and the third quarter of 2011.

Relative to the 3-month money market rate, lending spreads widened by 0.23 percentage points from the fourth quarter of 2010 and by 0.08 percentage points from the third quarter of 2011, to 1.76 per cent. The widening spreads helped compensate for higher long-term funding costs. There was strong competition for deposits, and deposit spreads declined by 0.06 percentage points from the fourth quarter of 2010 and by 0.02 percentage points from the third quarter of 2011.

The reduction in other operating income was mainly attributable to a negative development in the value of repossessed assets in the form of equities and ownership interests.

Operating expenses rose by 16.5 per cent from the fourth quarter of 2010, mainly due to a rise in staff numbers in strategic priority areas, higher costs related to IT development activity and costs related to repossessed assets. The cost/income ratio rose by 1.6 percentage points during the same period. At end-December 2011, staff in the business area represented 1 174 full-time positions, including 670 positions outside Norway.

Net write-downs on loans represented 0.34 per cent of net lending to customers on an annual basis, of which individual write-downs represented 0.32 per cent. In the fourth quarter of 2010, net individual write-downs came to 0.22 per cent of net lending.

Net non-performing and doubtful commitments amounted to NOK 6.4 billion at end-December 2011, up NOK 5.0 billion from end-September 2011. The corresponding figure at end-December 2010 was NOK 2.7 billion. The increase was due to the fact that a few large commitments were classified as non-performing and doubtful after being subject to moderate write-downs.

The quality of the loan portfolio remained sound, and close follow-up of customers and preventive measures ensured a positive trend from the preceding quarters. Market conditions may cause challenges for certain customer segments over the coming period.

DNB will give priority to retaining and further developing long-term and profitable customer relationships. Sound customer relationships, close customer follow-up and the bank's wide range of products and expertise will form the basis for operations over the coming years. Average lending spreads are expected to increase further, which is necessary to compensate for rising funding costs. It is anticipated that strong competition for stable customer deposits and pressure on deposits spreads will continue.

DNB Markets

DNB Markets is Norway's largest provider of securities and investment services. The business area recorded a strong level of profits in the fourth quarter of 2011. A higher level of customer activity within interest rate hedging and a rise in income from market making and other proprietary trading more than compensated for the low level of capital market activity. Pre-tax operating profits totalled NOK 1 009 million in the fourth quarter of 2011, up 5.7 per cent compared with the year-earlier period. Pre-tax operating profits for the full year 2011 were NOK 4 160 million, up NOK 522 million from 2010.

<i>Income statement in NOK million</i>	4th quarter		Full year	
	2011	2010	2011	2010
FX, interest rate and commodity derivatives	407	387	1 476	1 317
Investment products	137	85	432	399
Corporate finance	106	365	770	903
Securities services	55	60	230	218
Total customer revenues	705	897	2 908	2 838
Net income from international bond portfolio	51	291	591	1 151
Other market making/trading revenues	687	199	2 495	1 337
Total trading revenues	738	490	3 086	2 488
Interest income on allocated capital	50	35	165	145
Total income	1 493	1 422	6 159	5 471
Operating expenses	483	467	1 999	1 833
Pre-tax operating profit	1 009	955	4 160	3 638

Key figures in per cent

Return on risk-adjusted capital ¹⁾	42.9	49.6	51.0	44.8
Cost/income ratio	32.4	32.8	32.5	33.5
Full time positions, at end of period	698	668		

1) Calculated on the basis of internal measurement of risk-adjusted capital.

Customer-related revenues totalled NOK 705 million, a reduction of NOK 192 million from the fourth quarter of 2010, reflecting a low level of market activity within corporate finance and equities brokerage.

Declining long-term interest rates in the fourth quarter of 2011 boosted demand for interest rate hedging among customers. Due to an increase in demand, there was a 5.3 per cent rise in customer-related income from foreign exchange, interest rate and commodity products compared with the year-earlier period.

Customer-related income from the sale of securities and other investment products rose by more than 60 per cent compared with the fourth quarter of 2010 due to a higher level of income from equity derivatives and especially from bond brokerage. DNB Markets was the largest brokerage house on Oslo Børs both in the fourth quarter of 2011 and for the year as a whole in these product segments.

Due to a low level of activity within both debt and equity capital issues, there was a NOK 259 million reduction in customer-related revenues from corporate finance services compared with the fourth quarter of 2010. DNB Markets established a Debt Capital Markets unit in London during the fourth quarter of 2011 and has thus established such operations at all of DNB's large international offices: London, New York, Singapore and Stockholm, in addition to in Norway.

Due to a generally low level of capital market activity, there was a reduction in customer-related revenues from custodial and other securities services compared with the fourth quarter of 2010.

Income from market making and other proprietary trading rose by a total of NOK 248 million from the year-earlier period. There was a rise in income from trading in foreign exchange, international interest rate products and, most particularly, Norwegian interest rate products. The market turmoil, which had a negative impact on customer-related activities in the capital markets, thus had a positive effect on trading activities.

Developments in the equity, credit, commodity, currency and interest rate markets will be decisive for the business area's future performance.

Insurance and Asset Management

Insurance and Asset Management is responsible for life insurance, pension savings, asset management and non-life insurance in the DNB Group. Performance in 2011 was strongly affected by the fall in equity values, especially during the third quarter. The financial markets improved somewhat during the fourth quarter, and the business area recorded pre-tax operating profits of NOK 255 million, a NOK 377 million decline compared with the fourth quarter of 2010.

Profits for the full year 2011 totalled NOK 758 million, down from NOK 1 913 million in 2010.

<i>Income statement in NOK million</i>	4th quarter		Full year	
	2011	2010	2011	2010
Total income	831	1 260	3 091	4 201
Operating expenses	576	628	2 333	2 288
Pre-tax operating profit	255	632	758	1 913
Tax	(122)	(663)	182	(630)
Profit after tax	377	1 295	576	2 544

Balances in NOK billion (end of period)

Assets under management	523.4	527.8	523.4	527.8
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Key figures in per cent

Return on risk-adjusted capital ¹⁾	9.8	36.2	3.5	18.6
Cost/income ratio	69.3	49.8	75.5	54.5

Full time positions, at end of period 1 060 1 047

1) Calculated on the basis of internal measurement of risk-adjusted capital.

DNB Livsforsikring

DNB Livsforsikring's profit performance in the fourth quarter of 2011 reflected a certain recovery in the financial markets. Following a review of operating systems and routines in DNB Livsforsikring, a downward adjustment of profits of NOK 282 million was required. Pre-tax operating profits came to NOK 141 million, which represented a NOK 450 million reduction from the fourth quarter of 2010. DNB Livsforsikring recorded pre-tax profits of NOK 415 million for the full year 2011.

<i>Income statement in NOK million</i>	4th quarter		Full year	
	2011	2010	2011	2010
Interest result	508	2 815	450	5 626
Risk result	62	(9)	129	(242)
- Of which provisions for higher life expectancy	(75)	(244)	(300)	(973)
Administration result	(162)	(62)	(192)	(104)
Profit on risk and guaranteed rate of return	136	135	531	552
Other	(18)	2	(41)	(14)
Allocations to policyholders	385	2 290	462	4 093
Net profit	141	591	415	1 724
Tax charge	(154)	(672)	101	(672)
Profit	294	1 263	314	2 396

Balances in NOK billion (end of period)

Total assets	258.8	247.1	258.8	247.1
Assets under management				
- individual customers	62.0	64.7	62.0	64.7
- corporate customers	137.2	130.9	137.2	130.9
- public sector	36.5	30.9	36.5	30.9

Key figures in per cent

Return on risk-adjusted capital ¹⁾	8.5	38.9	2.5	19.5
Recorded return on assets	1.5	2.3	3.2	6.2
Value-adjusted return on assets	1.7	2.7	2.1	6.8

Full time positions, at end of period 733 726

1) Calculated on the basis of internal measurement of risk-adjusted capital.

DNB Livsforsikring achieved recorded and value-adjusted returns of 1.5 and 1.7 per cent, respectively, on the common portfolio in the fourth quarter of 2011, excluding changes in the value of bonds held to maturity. For 2011, the returns came to 3.2 and 2.1 per cent. The corporate portfolio generated returns of 0.7 per cent for the quarter and 1.2 per cent for 2011.

DNB Livsforsikring's common portfolio represents a sound base, with approximately half of the funds invested in property and bonds held to maturity generating ongoing annual returns of approximately

5 per cent. These investments contribute to stabilising returns. The property portfolio gave a direct return of 2.0 per cent in the fourth quarter of 2011.

Total assets as at 31 December 2011 were NOK 259 billion, an increase of 4.7 per cent since year-end 2010. Recorded policyholders' funds within defined-contribution pension schemes totalled NOK 14.8 billion, an increase of 24.1 per cent from end-December 2010.

Premium income totalled NOK 3.6 billion in the fourth quarter of 2011, up 8.2 per cent compared with the year-earlier period.

DNB Livsforsikring reported a net outflow of transfers of NOK 715 million in the fourth quarter of 2011, compared with a net inflow of NOK 2 409 million in the year-earlier period.

The company's solvency capital increased by NOK 0.6 billion from 31 December 2010, totalling NOK 25.1 billion at year-end 2011. The capital adequacy ratio was 15.3 per cent, well above the 8 per cent requirement.

DNB Livsforsikring's market share of total policyholders' funds was 29.2 per cent at end-September 2011, down 0.5 percentage points from end-September 2010.

The European Central Bank, ECB, has contributed to stabilising the banking sector by offering low-interest loans with very low collateral requirements. This measure was well received in the stock markets and helped raise equity prices during the fourth quarter of 2011. Oslo Børs climbed more than 10 per cent, while MSCI World, measured in local currency, rose by more than 7 per cent. DNB Livsforsikring's equity portfolios generated returns in excess of relevant indices, and the company sold equities for approximately NOK 14 billion during the fourth quarter. The interest rate markets remained volatile during the fourth quarter of 2011, though interest rate levels were virtually unchanged from the beginning to the end of the quarter. The low interest rate levels present a challenge for DNB Livsforsikring.

The life insurance industry is facing major changes in the regulatory framework. At its own initiative, and through Finance Norway - FNO, DNB Livsforsikring will continue its efforts to find good solutions for its policyholders and generate profits for its owner. Adaptations to Solvency II are on schedule. An increase in reserves for higher life expectancy will be required.

At the beginning of 2012, a proposal to change the tax exemption method for life insurance companies was also presented. The proposal will result in higher tax costs, which in turn will result in an increase in product prices and more expensive pension schemes for customers.

DNB Asset Management

DNB Asset Management recorded pre-tax operating profits of NOK 78 million in the fourth quarter of 2011, an increase of NOK 11 million from the year-earlier period. The rise in profits mainly reflected a reduction in costs and higher income due to healthy asset management performance. Pre-tax profits of NOK 235 million were recorded for the full year 2011, down NOK 42 million from the previous year.

<i>Income statement in NOK million</i>	4th quarter		Full year	
	2011	2010	2011	2010
Net interest income	(5)	(1)	(23)	10
<i>Commission income</i>				
- from retail customers	78	90	350	357
- from institutional clients	138	122	478	481
Other operating income	4	4	12	20
Total income	215	214	818	868
Operating expenses	137	147	583	592
Pre-tax operating profit	78	67	235	276

Balances in NOK billion (end of period)

Asset under management	474.0	479.2	474.0	479.2
- retail customers	36.6	43.6	36.6	43.6
- institutional clients	437.5	435.7	437.5	435.7

Key figures in per cent

Return on risk-adjusted capital ¹⁾	38.2	35.7	30.8	38.2
Cost/income ratio	63.6	68.8	71.3	68.2

Full time positions, at end of period

215 218

1) Calculated on the basis of internal measurement of risk-adjusted capital.

Total commission income increased by NOK 4 million, which included a NOK 22 million rise in performance-based revenues from the fourth quarter of 2010.

Market developments during the 12-month period gave a NOK 3 billion reduction in the market value of assets under management, while negative net sales gave a NOK 2 billion decline.

At end-December 2011, DNB Asset Management was Norway's leading provider of mutual funds and discretionary asset management and had a market share of 23.6 per cent of the total mutual fund market in Norway.

At year-end 2011, the company had approximately 268 000 mutual fund savings schemes in the Norwegian market, with annual subscriptions of around NOK 2.7 billion. 42.9 per cent of DNB's mutual funds had received four or five stars from the rating company Morningstar at end-December 2011. Eight of DNB Asset Management's funds had achieved the highest ranking, with five stars.

DNB Asset Management expects an increase in private financial savings in both Norway and Sweden. Competition for savings will necessitate the continued development and adaptation of products and services. The expectations of investors regarding developments in financial markets, together with investor confidence in the stock market, will have a strong impact on profit performance in the business area.

DNB Skadeforsikring

DNB Skadeforsikring offers non-life insurance products such as home insurance, car insurance and travel insurance, primarily to the Norwegian retail customer market.

DNB Skadeforsikring is in an expansion phase, and sales increased by 14.6 per cent in 2011 compared with 2010. Products were sold mainly through the bank's distribution network, and special initiatives in the large cities produced good results. Premium income totalled NOK 1 454 million in 2011. The number of policyholders increased by 24 000 from end-December 2010, to approximately 174 000 at year-end 2011. A reduced claims frequency and a reassurance programme which to a greater extent neutralises seasonal variations contributed to improved profit performance in 2011. DNB Skadeforsikring is well positioned to become an important player in the Norwegian market in the longer term.

DNB NORD

DNB took over all the shares in DNB NORD with effect from year-end 2010. The operations in the Baltics have been more closely integrated in DNB, and a new strategy has been prepared for operations in the

Baltic States. Following the decision to continue operations in Poland as part of the DNB Group, a strategy for Poland is in the process of being drawn up. Banking operations in DNB NORD in Copenhagen are being wound up, and the remaining loan portfolio was transferred to DNB in the fourth quarter of 2011. The operations in Copenhagen will be continued as a pure investment company.

Overall, the operations in DNB NORD generated pre-tax operating losses of NOK 797 million in the fourth quarter of 2011 and NOK 1 449 million in 2011. The level of costs was affected by impairment losses for goodwill relating to the operations in Poland and write-downs of capitalised systems development totalling NOK 563 million in the fourth quarter of 2011.

<i>Income statement in NOK million</i>	4th quarter		Full year	
	2011	2010	2011	2010
Total income	526	475	2 014	2 048
Operating expenses	1 006	342	2 035	1 700
Pre-tax operating profit before				
write-downs	(480)	133	(21)	348
Net gains on fixed assets	(3)	13	9	(15)
Net write-downs on loans	313	304	1 437	1 813
Pre-tax operating profit	(797)	(159)	(1 449)	(1 481)

Average balance sheet items in NOK billion

Net lending to customers	55.4	62.1	58.5	63.2
Deposits from customers	22.3	23.5	23.8	21.8
Full time positions, at end of period	3 297	3 159		

DNB Baltics and Poland

DNB Baltics and Poland offers financial services to corporate and personal customers in Estonia, Latvia, Lithuania and Poland. A pre-tax operating loss of NOK 236 million was recorded in the fourth quarter of 2011. Performance was negatively affected by impairment losses on intangible assets of NOK 191 million for the quarter. There was a pre-tax operating loss of NOK 673 million for 2011, an improvement of NOK 191 million compared with 2010.

<i>Income statement in NOK million</i>	4th quarter		Full year	
	2011	2010	2011	2010
Net interest income	329	363	1 319	1 452
Other operating income	226	140	763	688
Total income	555	503	2 082	2 140
Ordinary operating expenses	380	315	1 294	1 271
Impairment losses for goodwill and				
intangible assets	189	0	190	332
Operating expenses	570	315	1 484	1 603
Pre-tax operating profit before				
write-downs	(15)	188	598	537
Net gains on fixed assets	(4)	3	9	(15)
Net write-downs on loans	217	228	1 280	1 334
Pre-tax operating profit	(236)	(37)	(673)	(812)

Average balance sheet items in NOK billion

Net lending to customers	54.6	55.0	53.7	56.0
Deposits from customers	23.6	23.6	23.9	21.4

Key figures in per cent

Lending spread ¹⁾	1.82	2.07	1.80	1.92
Deposit spread ¹⁾	1.02	0.62	0.89	0.63
Return on risk-adjusted capital ²⁾	(4.0)	(3.5)	(15.3)	(17.7)
Cost/income ratio	68.5	62.6	62.1	59.4
Ratio of deposits to lending	43.2	42.8	44.5	38.3

Full time positions, at end of period

3 297 3 159

1) Calculated relative to the 3-month money market rate.

2) Calculated on the basis of internal measurement of risk-adjusted capital.

Net lending to customers was relatively stable through 2011, but increased somewhat towards the end of the year. Compared with the fourth quarter of 2010, there was relatively brisk average lending growth in Poland of 22.8 per cent compared with the fourth quarter of 2010, while lending volumes in the Baltics were down 8.7 per cent during the same period. The decline in lending in the Baltics was due to general market conditions. In spite of an improved macroeconomic situation in all these countries and increasing growth, it will take time before this is reflected in higher investment levels and rising credit demand.

Average customer deposits were unchanged from the fourth quarter of 2010. However, there was relatively strong growth in deposits towards the end of the year, which demonstrates that the customers have faith in DNB Baltics and Poland as part of a sound Norwegian bank.

The reduction in net interest income from the fourth quarter of 2010 mainly reflected narrowing lending spreads. However, there was a positive trend in lending spreads through 2011, and new loans are being granted at a significantly higher margin than the average for the portfolio.

Net write-downs on loans were reduced by 9.8 per cent from the fourth quarter of 2010, but remained at a relatively high level, representing 1.56 per cent of average lending, down from 1.73 per cent in 2010. In consequence of high write-downs in Latvia, especially in the third quarter, the level of write-downs remained high for the full year 2011, standing at 2.39 per cent of average lending, a slight reduction from 2.48 per cent in 2010. Latvia accounted for 78 per cent of total write-downs on loans in DNB Baltics and Poland in 2011. The write-downs in Latvia referred to home mortgages and were due to a reassessment of collateral values and rising costs associated with the repossession of properties.

The integration of the operations in the Baltic region into DNB will continue and future ambitions in Poland will be determined. Reduced write-downs and improved cost efficiency will remain high on the agenda. Write-downs on loans are expected to be reduced, though there is still some risk associated with the home mortgage portfolio and repossessed properties in Latvia. In the longer term, growth in the region is expected to surpass average European levels. DNB will work to improve operations and widen the product range. Combined with a lower write-down level, this is expected to ensure improved profitability in DnB Baltics and Poland.

Full year results 2011

DNB recorded profits of NOK 12 979 million in 2011, a reduction of NOK 1 083 million compared with 2010. Pre-tax operating profits before write-downs rose by NOK 752 million, to NOK 21 833 million. However, due to a higher tax charge and a certain increase in write-downs on loans, there was a reduction in the profit for the year.

The Group's financial performance in 2011 reflected the extensive financial market turmoil in the second half of the year due to the inability of certain EU countries to service their debt. DNB was affected by falling equity prices and market volatility. However, the Group had no direct exposure to these countries. The financial turmoil was a contributing factor to the tightening of the capitalisation requirements for financial institutions, both internationally and in Norway, in the second half of the year.

Net interest income rose by NOK 1 816 million or 7.7 per cent from 2010 to 2011. Average lending volumes increased by NOK 72.7 billion or 6.5 per cent during this period. There was significant lending growth through most of 2011, though the rate of growth abated towards the end of the year. In terms of NOK, deposits increased almost as much as lending, which gave a significant increase in the ratio of deposits to lending, from 54.8 per cent at end-December 2010 to 57.8 per cent at year-end 2011. Parallel, to this, there was a rise in debt securities issued by the Group, which ensured a stronger long-term funding base. Relative to the 3-month money market rate, both

lending and deposit spreads were virtually unchanged from the beginning to the end of the year, though lending spreads widened towards the end of the year, thus partially compensating for the rise in long-term funding costs. In consequence of the financial market turmoil, the cost of new funding remained at a significantly higher level than the short-term money market rates.

Other operating income rose by NOK 598 million from 2010, to NOK 16 754 million in 2011. In 2010, the Group recorded gains of NOK 1 170 million in connection with the merger between the payment services company Nordito and the Danish PBS Holding. Adjusted for these gains, other operating income rose by NOK 1 768 million from 2010. The financial market turmoil gave a rise in income from foreign exchange and interest rate instruments, including the valuation of currency swaps on funding, of NOK 3 438 million compared with 2010. On the other hand, the weak financial markets resulted in a NOK 1 167 million reduction in profits in DNB Livs-forsikring compared with 2010. In light of the downturn in the financial markets, other operating income showed a satisfactory trend from 2010 to 2011.

Total operating expenses rose by NOK 1 662 million from 2010. Adjusted for impairment losses for goodwill and intangible assets and the reversal of allocations to pension commitments in 2010, expenses rose by NOK 1 505 million or 8.2 per cent. The high level of activity in 2011 gave a rise in income and higher costs, and also required an increase in investments. There was a significant escalation in market and customer activities both in and outside Norway, and the Group increased its IT initiatives. Several cost items in 2011 were of a non-recurring nature, including the transfer of Postbanken's customers to DNB's IT systems and the coordination of the Group's products and services under one brand. This will help reduce future costs. The Group's cost programme was on schedule for reaching communicated targets at year-end 2011.

Sickness absence in DNB's Norwegian operations was 4.2 per cent in 2011, a reduction from 4.3 per cent in 2010. Among other things, the Group improved its routines for following up employees on short or long-term sick leave in 2011.

Write-downs on loans and guarantees rose by NOK 448 million from 2010. Individual write-downs were reduced by NOK 856 million, while there was an increase in collective write-downs during the year, partly due to weakening economic conditions.

Return on equity was 11.4 per cent in 2011, down from 13.6 per cent in 2010. Earnings per share were NOK 7.98 in 2011 and NOK 8.66 in 2010.

The Group continued its adaptations to the new liquidity, funding and capital requirements which are expected to be introduced over the next few years. Due to market uncertainty, there was a further rise in long-term funding costs towards the end of the year. These costs represent the Group's marginal cost of funding. Only a small part of funding can be obtained from sources which base their prices on the short-term money market rate.

On 1 January 2011, the Group launched its 24/7 customer service telephone, with open lines 24 hours a day, every day, all year. In addition, initiatives aimed at young adults were increased during the year, and a number of other measures were implemented to create a better customer experience. Thus, the Group improved its scores in several reputation and customer satisfaction surveys and its ranking among the most popular employers.

On 11 November, the Group changed its name from DnB NOR to DNB. The coordination of the Group's products and services under one brand is part of the process to improve its customer offering and reduce costs in the longer term.

As part of the process to establish a common brand, all of Postbanken's customer accounts were transferred to DNB's IT systems during the Easter of 2011. This step gave the Group a less complex portfolio of IT systems and thus reduced risk and costs.

In February 2011, DNB was the main sponsor of the World Ski Championships in Oslo, which received extensive media coverage

both in Norway and internationally.

DNB opened a new representative office in Aberdeen in Scotland in 2011, aiming to further improve the offering to large customers in the Group's strategic priority areas shipping, energy and seafood.

For the third consecutive year, DNB qualified for inclusion in the Dow Jones World Sustainability Index, DJSI World, in 2011. The index is based on extensive analyses of companies' sustainability and comprises the top 10 per cent within each industry sector worldwide based on their performance within financial, environmental and social aspects.

Changes were made to the Board of Directors of DNB ASA during the second quarter, whereby Jarle Berge, Carl A. Løvvik and Sverre Finstad replaced Bent Pedersen, Gunilla Berg, Per Hoffmann and Jørn O. Kvilhaug as board members.

In consequence of the financial market turmoil, requirements for a further strengthening of capital adequacy ratios were introduced both in Norway and in other countries during the second half of 2011. At year-end 2011, DNB had a common equity Tier 1 capital ratio of 9.4 per cent at year-end 2011, calculated according to the Basel II transitional rules. DNB had permission to use the IRB approach to calculate capital adequacy for approximately 80 per cent of the Group's portfolios at year-end 2011, and the Group is in dialogue with Finanstilsynet to obtain approval for the remaining 20 per cent according to the same principles. The Board of Directors considers DNB to be well capitalised in relation to the risk of operations. The Group is also continuing the process to raise its capitalisation levels in line with the planned increase in international requirements. It is the Group's ambition to achieve a common equity Tier 1 capital ratio of approximately 10 per cent by year-end 2012.

When considering the dividend proposal for 2011, the Board of Directors has taken the new regulatory capital adequacy requirements into account while focusing on conducting a consistent long-term dividend policy. The Board of Directors has thus proposed a dividend for 2011 of NOK 2.00 per share.

Income statement for 2011

Net interest income

<i>Amounts in NOK million</i>	2011	Change	2010
Net interest income	25 252	1 816	23 436
Lending and deposit volumes		2 172	
Guarantee fund levy		732	
Equity and non-interest-bearing items		251	
Lending and deposit spreads		(257)	
Exchange rate movements		(479)	
Long-term funding costs		(579)	
Other net interest income		(24)	

Net interest income rose by NOK 1 816 million or 7.7 per cent compared with 2010, mainly reflecting a rise in lending volumes. Average lending volumes increased by NOK 72.7 billion or 6.5 per cent. Relative to the 3-month money market rate, average lending spreads remained relatively stable, but widened towards the end of 2011.

Exchange rate movements gave a NOK 479 million decline in net interest income from 2010 to 2011, parallel to a rise in long-term funding costs of NOK 579 million. The discontinuation of guarantee fund levies in 2011 partly compensated for these effects and ensured a NOK 732 million increase in net interest income from 2010 to 2011.

Net other operating income

<i>Amounts in NOK million</i>	2011	Change	2010
Net other operating income	16 754	598	16 156
Net gains on foreign exchange and interest rate instruments ¹⁾		3 438	
Net income from DNB Skadeforsikring		153	
Real estate broking		152	
Net other commissions and fees		(18)	
Net unrealised gains on investment property		(32)	
Profits from associated companies		(104)	
Net stock market-related income		(882)	
Net financial and risk result from DNB Livsforsikring ²⁾		(1 167)	
Gain, Nordito		(1 170)	
Other operating income		229	

1) *Excluding guarantees.*

2) *Guaranteed returns and allocations to policyholders deducted.*

Other operating income increased by NOK 598 million from 2010. The Group recorded gains of NOK 1 170 million in 2010 in connection with the merger between the payment services company Nordito and the Danish PBS Holding. Adjusted for these gains, other operating income rose by NOK 1 768 million. The financial market turmoil ensured positive effects from mark-to-market adjustments of foreign exchange and interest rate instruments, which increased by NOK 3 438 million from 2010. The weak financial markets resulted in a NOK 1 167 million reduction in the net financial and risk result from DNB Livsforsikring compared with 2010. In light of the weak financial market developments, underlying income showed a satisfactory trend during the year.

Operating expenses

<i>Amounts in NOK million</i>	2011	Change	2010
Total operating expenses	20 172	1 662	18 511
<i>Non-recurring costs</i>			
Impairment losses for goodwill and intangible assets		(211)	
Elimination of allocations to the CPA scheme in 2010		367	
Brand development and establishment costs		201	
<i>Income-related items</i>			
Increase in full-time positions		255	
Operational leasing		87	
København Ejendomme		46	
Performance-based pay		156	
Marketing etc.		98	
<i>Expenses related to operations</i>			
Cost programme		(415)	
Wage and price inflation		520	
IT expenses, incl. the conversion from Postbanken's core system		279	
Rise in pension expenses		174	
Fees		106	
Other costs		(2)	

Operating expenses increased by NOK 1 662 million from 2010. Adjusted for impairment losses for goodwill and intangible assets and the reversal of CPA costs in 2010, there was an increase in expenses of NOK 1 505 million. The rise in costs must be viewed in light of higher activity levels and income growth, resulting in an increase in staff numbers. The Group has escalated its IT initiatives over the past year, parallel to an increase in market and customer activities both in and outside Norway. In addition, there were

significant non-recurring costs related to the conversion from Postbanken's IT system and the rebranding of the Group from DnB NOR to DNB.

The cost programme was on schedule for reaching the higher targets presented on the Capital Markets Day, entailing cost reductions of NOK 2.3 billion by year-end 2012 and NOK 3 billion by year-end 2015. The programme will be reviewed during the first half of 2012, and further cost measures will be considered.

Write-downs on commitments

Write-downs on loans and guarantees totalled NOK 3 445 million in 2011, up NOK 448 million from 2010.

In 2010, reversals on collective write-downs represented NOK 1 077 million, while the calculation models gave new collective write-downs of NOK 227 million in 2011, partly due to a certain weakening of the economy.

Individual write-downs in the Retail Banking business area were reduced from NOK 1 225 million in 2010 to NOK 967 million in 2011, which reflected the strong financial trend among both personal customers and small and medium-sized enterprises.

In the Large Corporates and International business area, there was a NOK 371 million increase in individual write-downs, while individual write-downs in the Baltics and Poland were reduced by 36 per cent to NOK 1 103 million in 2011. There were still sizeable write-downs on a few commitments in the Baltics in 2011, among others related to the Latvian home mortgage portfolio.

Taxes

The DNB Group's tax charge for 2011 was NOK 5 423 million, up NOK 1 302 million from NOK 4 121 million in 2010. Relative to pre-tax operating profits, the tax charge increased from 22.8 per cent in 2010 to 29.5 per cent in 2011. The main factors behind the increase were tax-exempt income on equities in DNB Livsforsikring in 2010, while there was a limited extent of such income in 2011.

Balance sheet and liquidity

At end-December 2011, total combined assets in the DNB Group were NOK 2 389 billion, an increase from NOK 2 141 billion a year earlier. Total assets in the Group's balance sheet were NOK 2 126 billion as at 31 December 2011 and NOK 1 862 billion a year earlier. Total assets in DNB Livsforsikring were NOK 259 billion and NOK 247 billion, respectively, on the same dates. Debt securities issued by the Group totalled NOK 635 billion at year-end 2011 and NOK 502 billion a year earlier.

Net lending to customers increased by NOK 109 billion or 9.3 per cent from end-December 2010, while customer deposits rose by NOK 98 billion or 15.3 per cent during the corresponding period. The Group's ratio of customer deposits to net lending to customers increased from 54.8 per cent at end-December 2010 to 57.8 per cent at year-end 2011. The Group's aim is to increase the ratio of deposits to lending. The ratio of deposits to lending in DNB Bank ASA was 98.9 per cent at end-December 2011, reflecting that loans which were not carried in the books of DNB Boligkreditt were generally financed through customer deposits.

In order to keep the Group's long-term 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 end-December 2011, this share was 106 per cent. With respect to short-term funding, conservative limits have been set for refunding requirements. The Group stayed well within the liquidity limits during 2011.

With effect from 2012, the Group has adjusted liquidity risk management in line with the structure in the Basel III regulations. A gradual adaptation to the minimum requirements within the time limits stipulated by the Basel Committee is being planned. This may be challenging for a number of banks and will require extensive balance-

sheet adjustments.

During the first half of the year, the short-term funding markets were stable for banks with good credit ratings, and there was fairly normal access to funding with various maturities. However, the second half of the year was strongly affected by the uncertainty concerning the international sovereign debt situation, and at times, only funding with very short maturities was available.

There was ample access to funding for financially strong banks at the beginning of the year, and DNB completed most of its annual long-term funding activities during the first half of the year. The European sovereign debt crisis gradually had a pronounced effect on price levels, and financial market activity in the second half of the year was generally very low. Like those of its competitors, the Group's long-term funding costs were significantly higher than prior to the financial crisis and have increased further at the start of 2012.

The average remaining term to maturity for the portfolio of debt securities issued was 4.5 years at end-December 2011, compared with 3.6 years a year earlier.

Risk and capital adequacy

While the risk situation showed a positive development in the first half of 2011, it deteriorated towards the end of the year. The debt problems in the Eurozone countries remained unresolved, and new, strong liquidity injections from the European Central Bank to the banking system became necessary. The market for unsecured long-term funding for banks was very limited in the second half of the year. The situation has improved thus far in 2012, and DNB and a few other banks have again been able to fund themselves in this market, albeit at higher prices than before. International growth prospects have dimmed, the uncertainty has caused great volatility and higher risk premiums in the capital markets, and yields on long-term Treasury bills in the most creditworthy countries, such as Norway, have fallen to record-low levels. However, Norwegian economic expansion remained brisk in 2011 due to high activity levels in the oil and gas sector. Strong employment growth was coupled with low unemployment levels, and housing prices continued to rise. In light of increasing international uncertainty, Norges Bank chose to lower its key policy rate by 0.5 percentage points in the fourth quarter of 2011 after having increased the rate by 0.25 percentage points in May. The strong Norwegian krone rate and relatively high wage inflation presented increasing challenges for Norwegian industries which compete in international markets.

The DNB Group quantifies risk by measuring risk-adjusted capital requirements. The net risk-adjusted capital requirement increased by NOK 4.2 billion from year-end 2010, to NOK 63.3 billion. The table below shows developments in the risk-adjusted capital requirement.

<i>Amounts in NOK billion</i>	31 Dec. 2011	30 Sept. 2011	30 June 2011	31 Dec. 2010
Credit risk	50.1	51.3	46.3	45.5
Market risk	5.2	6.1	6.2	6.0
Market risk in life insurance	10.6	13.2	14.1	12.5
Insurance risk	1.8	1.9	1.9	1.8
Operational risk	8.7	8.7	8.4	7.7
Business risk	4.7	4.7	4.7	4.5
Gross risk-adjusted capital requirement	81.2	85.9	81.6	78.0
Diversification effect ¹⁾	(17.9)	(16.8)	(20.0)	(18.8)
Net risk-adjusted capital requirement	63.3	69.1	61.6	59.1
Diversification effect in per cent of gross risk-adjusted capital requirement ¹⁾	22.0	19.6	24.5	24.2

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.*

Risk-adjusted capital for credit increased by NOK 4.6 billion through 2011 due to rising volumes. There was stable, sound credit quality in the healthy portfolio. The volume of non-performing and doubtful commitments increased during the fourth quarter as small parts of certain large commitments were classified as doubtful. Low rates in the tanker, container and dry bulk segments in shipping put pressure on shipping companies' earnings and liquidity. Lower portfolio quality must be expected in these segments in the future. Large new oil findings in the Norwegian sector give reason for optimism for the offshore and oil suppliers sectors. The Norwegian commercial property market showed a positive trend in 2011, with increasing sales and a moderate rise in values.

There was a significant decline in market risk in life insurance towards the end of the year due to a major reduction in the equity exposure. Long-term Norwegian swap rates declined by approximately 1 percentage point during 2011 and were on a level with policyholders' guaranteed rate of return at year-end. A prolonged low interest rate level will affect DNB Livsforsikring's ability to assume risk to ensure a healthy return for policyholders. Over the next few years, an increase in reserves may be required to meet the anticipated increase in life expectancy. The industry is in dialogue with the authorities regarding the implementation of such an increase.

Risk-adjusted capital for market risk in operations other than life insurance also declined in consequence of a lower equity exposure towards the end of the year. There were no significant changes in market risk limits during 2011. Mark-to-market adjustments of swap contracts entered into in connection with the Group's financing of loans, basis swaps, are not included in the measurement of risk-adjusted capital for market risk. These contracts may have significant effects on the accounts from one quarter to the next. However, as the contracts are generally held to maturity, these effects will be balanced out over time.

There was a 43 per cent increase in registered events entailing operational risk from 2010, which partly reflects more extensive registration of events, but also an actual increase. In connection with new US sanctions against Iran, the Group has established a special committee which will consider how DNB can best adapt to such restrictions on business. Risk-adjusted capital for operational risk and business risk is updated every six months, i.e. at end-March and end-September.

Risk-weighted volume included in the calculation of the formal capital adequacy requirement increased by NOK 83.2 billion during 2011, to NOK 1 112 billion. In 2011, risk-weighted volume cannot be less than 80 per cent of the corresponding figure calculated according to the Basel I regulations. The equity Tier 1 capital ratio was 9.4 per cent, while the capital adequacy ratio was 11.4 per cent. Calculations have also been made of the effect of using the IRB approach on credit portfolios which are currently reported according to the standardised approach, but for which a shift to the IRB approach is being planned, disregarding the limitations ensuing from the transitional rules. The calculations showed a pro forma risk-weighted volume of NOK 968 billion and a potential Tier 1 capital ratio of 10.8 per cent. In consequence of new estimates which reflect the outcome of Finanstilsynet's approval processes, the pro forma risk-weighted volume as at 31 December 2011 was adjusted upwards by NOK 15 billion.

Macroeconomic developments

Entering 2012, the world economy showed some positive signs, but considerable uncertainty remained, particularly related to the EU's handling of the debt crisis.

Growth was weak in the OECD area during the last few quarters and also slower than normal in the big emerging economies. The slow growth internationally also hit the Norwegian economy to some extent. Prices fell for cyclically sensitive export goods in the last few quarters, while oil prices remained high. There was close to zero growth in exports of traditional goods, and growth may decline further

unless the current negative international economic trends are followed by greater confidence in the authorities' ability to deal with the debt problems. It will be central to future developments that European authorities quickly come to an agreement on how to solve the sovereign debt problems to help calm the markets. A solution to the crisis will most likely require the ECB to increase market liquidity by buying sovereign debt, parallel to the introduction of stricter budgetary discipline requirements for countries which are bailed out. Looking further ahead, increased cooperation on fiscal policy seems essential to the survival of the euro.

Should the EU succeed in finding an acceptable solution to the debt crisis, several years of slow economic growth may still follow. If the euro cooperation were to collapse, the entire OECD area is likely to enter a recession. Although developments at the start of 2012 make it less likely, the risk still exists.

Increased oil investments helped the Norwegian mainland economy grow in 2011. Due to renewed optimism regarding the resource potential on the Norwegian shelf, this development is likely to continue. The oil sector and oil-related industry will still be able to pay high salaries. However, the situation will be more difficult for other sectors in the Norwegian economy, in particular industries which compete in international markets.

While households in many countries have been hit by falling house prices and high debt, the situation is different for Norway at the start of 2012. Households have a relatively high debt-to-income ratio, but this can be attributed in part to structural conditions. Meanwhile, the strong Norwegian economy provides a better basis for dealing with negative effects of the high debt-to-income ratio, and Norway is in a better position than most countries for using an active economic policy for damage limitation purposes in case of another downturn.

New regulatory framework

DNB expects the challenging market conditions for long-term funding to continue, and funding costs are expected to remain at a relatively high level. This is mainly due to the European sovereign debt crisis, whose effects were reinforced in Norway through the uncertainty regarding Eksportfinans. In the longer term, the new regulatory framework for the financial services industry will also cause higher funding costs. The Basel III regulatory framework will introduce stricter capital adequacy and liquidity requirements. Within the EU/EEA, Basel III will be introduced in the form of a new capital requirements directive, CRD IV. The latest CRD IV draft proposal was circulated for comments in July. According to plan, it will be presented to the EU Parliament in June 2012. The directive is expected to be approved by year-end 2012. The Norwegian Ministry of Finance has prepared draft legislation and a consultation paper for implementing CRD IV in Norway and aims to approve changes in regulations during the second half of 2012.

On account of the European sovereign debt crisis, the European Banking Authority, EBA, published an additional plan for the recapitalisation of banks in October 2011. The plan includes a temporary, stricter requirement whereby common equity Tier 1 capital must be minimum 9 per cent after any losses on European sovereign debt exposures have been recorded. This requirement is scheduled to become effective on 30 June 2012. However, the Norwegian supervisory authorities require that risk-weighted volume must represent minimum 80 per cent of risk-weighted volume measured according to standard risk weights under the Basel I rules. This is a stricter definition which requires more capital than the approach chosen by several EU countries, including Sweden, where the Internal Ratings Based (IRB) approach from the Basel II framework has been chosen for measurements. In the opinion of the Group, it is vital that equal framework conditions are established in the market and that Norwegian regulations, taxes and fees are not implemented in a different manner or earlier than corresponding measures in the Nordic region and the rest of Europe.

DNB is working to be ready to meet the new capitalisation and

liquidity requirements. Up until the new and stricter regulations are introduced, the Group's funding activities will reflect a gradual adaptation to the regulations.

Future prospects

Uncertainty prevails over future economic developments, and political decisions to reduce the sovereign debt of major EU countries and regain their creditworthiness and economic leeway will prove essential to reduce this uncertainty. DNB believes it is most likely that the right corrective measures will be implemented and that the European economic crisis will be brought under control. This will cause a moderate European economic downturn and have a relatively small effect on the Norwegian economy, where DNB has more than 80 per cent of its activities. Developments in the rest of the world's leading economies will over time be at least as important for overall economic developments, and relatively high growth is still expected in these countries. Funding costs are expected to remain high, partly due to the large demand for capital caused by new capital adequacy and liquidity requirements.

Should the international unrest caused by the debt situation in southern Europe persist, a weakening of DNB's international and, in turn, Norwegian portfolios, could have a negative effect on profits. Low money market rates over time and a possible further weakening

of the financial markets will also affect the performance of DNB Livsforsikring. In this scenario, funding costs are likely to rise further compared with current levels. New regulatory requirements regarding capital and liquidity will also be more difficult to comply with. DNB considers the likelihood of such a scenario to be relatively low.

In the Retail Banking business area, a healthy development is expected, though profits will be challenged by rising funding costs. The Large Corporates and International business area will focus on more selective growth, but also on wider margins. In DNB Markets, increased price pressure is expected, partly due to more electronic trading, while market developments and the broad scope of activities will ensure a continued high level of earnings. The Insurance and Asset Management business area is expected to gradually return to higher profit levels, provided that markets normalise. DNB Livsforsikring expects a certain reduction in profits due to a lower risk profile. Operations in the Baltics and Poland are expected to show further improvement, though the situation may remain challenging.

The economic crisis in Europe makes it more difficult to reach short-term financial targets. However, DNB maintains its customer-oriented strategy, keeping long-term targets within reach. Total write-downs on loans and guarantees for the Group in 2012 are expected to be on a level with 2011.

Oslo, 8 February 2012
The Board of Directors of DNB ASA

Anne Carine Tanum
(chairman)

Bjørn Sund
(vice-chairman)

Jarle Bergo

Bente Brevik

Sverre Finstad

Carl A. Løvvik

Tore Olaf Rimmereid

Ingjerd Skjeldrum

Rune Bjerke
(group chief executive)

Income statement

<i>Amounts in NOK million</i>	Note	DNB Group			
		4th quarter 2011	4th quarter 2010	Full year 2011	Full year 2010
Total interest income	5	16 976	15 168	63 320	56 909
Total interest expenses	5	10 184	9 015	38 068	33 473
Net interest income	5	6 792	6 153	25 252	23 436
Commissions and fees receivable etc.	6	2 087	2 420	9 135	9 261
Commissions and fees payable etc.	6	592	511	2 256	2 220
Net gains on financial instruments at fair value	7	3 397	1 684	7 661	4 961
Net gains on assets in DNB Livsforsikring		4 269	6 404	5 834	15 074
Guaranteed returns and allocations to policyholders in DNB Livsforsikring		4 124	5 879	5 772	13 500
Premium income etc. included in the risk result in DNB Livsforsikring		1 291	1 242	4 941	4 721
Insurance claims etc. included in the risk result in DNB Livsforsikring		1 247	1 248	4 853	4 977
Premium income, DNB Skadeforsikring		288	273	1 094	1 009
Insurance claims etc., DNB Skadeforsikring		225	249	849	918
Profit from companies accounted for by the equity method		111	72	77	180
Net gains on investment property	18	(132)	0	(32)	0
Other income	9	474	343	1 775	2 565
Net other operating income		5 599	4 553	16 754	16 156
Total income		12 392	10 706	42 006	39 592
Salaries and other personnel expenses	10, 11	2 618	2 438	10 279	9 259
Other expenses	10	2 098	1 685	7 722	6 995
Depreciation and write-downs of fixed and intangible assets	10	870	487	2 172	2 256
Total operating expenses	10	5 586	4 610	20 172	18 511
Net gains on fixed and intangible assets		(1)	26	19	24
Write-downs on loans and guarantees	13	926	529	3 445	2 997
Pre-tax operating profit		5 878	5 593	18 407	18 108
Taxes	12	1 790	367	5 423	4 121
Profit from operations held for sale, after taxes		0	57	(5)	75
Profit for the period		4 089	5 284	12 979	14 062
Profit attributable to shareholders		4 089	5 349	12 979	14 814
Profit attributable to minority interests		0	(65)	0	(752)
Earnings/diluted earnings per share (NOK)		2.51	3.25	7.98	8.66
Earnings per share excluding operations held for sale (NOK)		2.51	3.22	7.99	8.62

Comprehensive income statement

<i>Amounts in NOK million</i>	DNB Group			
	4th quarter 2011	4th quarter 2010	Full year 2011	Full year 2010
Profit for the period	4 089	5 284	12 979	14 062
Exchange differences arising from the translation of foreign operations	66	(44)	(53)	(90)
Comprehensive income for the period	4 154	5 240	12 926	13 971
Comprehensive income attributable to shareholders	4 154	5 333	12 926	14 865
Comprehensive income attributable to minority interests	0	(93)	0	(894)

Balance sheet

DNB Group

<i>Amounts in NOK million</i>	Note	31 Dec. 2011	31 Dec. 2010
Assets			
Cash and deposits with central banks		224 581	16 198
Lending to and deposits with credit institutions		28 754	47 792
Lending to customers	14, 15	1 279 259	1 170 341
Commercial paper and bonds		177 980	204 204
Shareholdings	16	53 012	75 179
Financial assets, customers bearing the risk		23 776	23 506
Financial derivatives		96 693	78 156
Commercial paper and bonds, held to maturity	17	166 965	179 461
Investment property	18	42 796	38 834
Investments in associated companies		2 189	2 307
Intangible assets	19	7 003	7 164
Deferred tax assets		643	915
Fixed assets		6 336	5 793
Assets held for sale		1 054	1 271
Other assets		15 055	10 499
Total assets		2 126 098	1 861 620
Liabilities and equity			
Loans and deposits from credit institutions		279 553	257 931
Deposits from customers		740 036	641 914
Financial derivatives		64 365	60 871
Debt securities issued	20	635 157	501 668
Insurance liabilities, customers bearing the risk		23 776	23 506
Liabilities to life insurance policyholders in DNB Livsforsikring		212 271	205 550
Insurance liabilities, DNB Skadeforsikring		1 589	1 091
Payable taxes		634	4 865
Deferred taxes		4 897	116
Other liabilities		17 550	14 738
Liabilities held for sale		383	387
Provisions		787	946
Pension commitments		3 123	3 361
Subordinated loan capital	20	24 163	33 479
Total liabilities		2 008 284	1 750 424
Minority interests		0	0
Share capital		16 260	16 232
Share premium reserve		22 609	22 609
Other equity		78 946	72 356
Total equity		117 815	111 196
Total liabilities and equity		2 126 098	1 861 620
Off-balance sheet transactions, contingencies and post-balance sheet events	24		

Statement of changes in equity

DNB Group

<i>Amounts in NOK million</i>	Minority interests	Share capital ¹⁾	Share premium reserve	Other equity ¹⁾	Total equity ¹⁾
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
Profit for the period				12 979	12 979
Exchange differences arising from the translation of foreign operations				(53)	(53)
Comprehensive income for the period				12 926	12 926
Dividends paid for 2010 (NOK 4.00 per share)				(6 515)	(6 515)
Net purchase of treasury shares		28		240	268
New regulations for the insurance industry				(61)	(61)
Balance sheet as at 31 December 2011	0	16 260	22 609	78 946	117 815
<i>Of which currency translation reserve:</i>					
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)
Comprehensive income for the period				(53)	(53)
Balance sheet as at 31 December 2011	0			(565)	(565)
<i>1) Of which treasury shares, held by DNB Markets for trading purposes:</i>					
<i>Balance sheet as at 31 December 2010</i>		(56)		(405)	(461)
<i>Net purchase of treasury shares</i>		28		240	268
<i>Reversal of fair value adjustments through profit and loss</i>				27	27
<i>Balance sheet as at 31 December 2011</i>		(28)		(138)	(166)

Cash flow statement

DNB Group

Full year 2011 Full year 2010

Amounts in NOK million

Operating activities

Net payments on loans to customers	(108 418)	(56 175)
Interest received from customers	52 398	46 313
Net receipts on deposits from customers	96 698	51 286
Interest paid to customers	(17 712)	(15 558)
Net receipts/payments on loans to credit institutions	36 929	(26 829)
Interest received from credit institutions	1 425	1 061
Interest paid to credit institutions	(4 719)	(5 008)
Net receipts on the sale of financial assets for investment or trading	69 052	3 018
Interest received on bonds and commercial paper	8 391	9 568
Net receipts on commissions and fees	6 897	7 122
Payments to operations	(17 815)	(16 931)
Taxes paid	(5 428)	(8 874)
Receipts on premiums	17 020	15 171
Net receipts on premium reserve transfers	2 061	727
Payments of insurance settlements	(13 641)	(12 936)
Other payments	(6 452)	(1 412)
Net cash flow relating from operating activities	116 686	(9 457)

Investment activities

Net payments on the acquisition of fixed assets	(2 738)	(2 032)
Net payments, investment property	(688)	(336)
Receipts on the sale of long-term investments in shares	85	0
Payments on the acquisition of long-term investments in shares	0	(1 253)
Dividends received on long-term investments in shares	105	438
Net cash flow relating from investment activities	(3 236)	(3 183)

Funding activities

Receipts on issued bonds and commercial paper	367 414	277 533
Payments on redeemed bonds and commercial paper	(244 281)	(257 013)
Interest payment on issued bonds and commercial paper	(14 933)	(12 239)
Redemptions of subordinated loan capital	(9 806)	(4 704)
Interest payment on subordinated loan capital	(721)	(667)
Dividend payments	(6 515)	(2 850)
Net cash flow from funding activities	91 158	60

Effects of exchange rate changes on cash and cash equivalents **967** **(153)**

Net cash flow **205 575** **(12 732)**

Cash as at 1 January	23 726	36 458
Net receipts/payments of cash	205 575	(12 732)
Cash at end of period ¹⁾	229 301	23 726

**) Of which: Cash and deposits with central banks* *224 581* *16 198*
Deposits with credit institutions with no agreed period of notice ¹⁾ *4 721* *7 528*

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. 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.

During the fourth quarter of 2011, certain items in the company's cash flow statement were reclassified. Among other things, Net receipts/payments on loans to credit institutions and appurtenant interest were included in operating activities with effect from the fourth quarter of 2011. Prior to this, these items were included under funding activities. Comparable figures for previous periods have been restated.

Note 1 Accounting principles

The fourth quarter accounts 2011 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 2010. The annual and interim accounts are prepared according to IFRS principles as endorsed by the EU. The Group's accounting principles and calculation methods are essentially the same as those described in the annual report for 2010. No new or amended accounting standards or interpretations entered into force during the fourth quarter of 2011.

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 description of important estimates and assumptions is presented in note 1 Important accounting estimates and discretionary assessments in the annual report for 2010.

Note 3 Changes in group structure

Royston/ Propinvest

On 16 June 2011, DNB Bank ASA took over all the shares in Royston Norway from Propinvest Ltd. as part of the restructuring of the bank's commitment with the company. In addition, a company in Sweden and another in Finland were acquired. The acquired companies are organised into three independent sub-groups and own a total of 62 commercial properties, of which 55 are located in Norway, four in Sweden and three in Finland. The fair value of the properties was estimated at approximately NOK 1.8 billion on the acquisition date. The bank will seek to further develop the properties, aiming for a future sale.

The companies were taken over at the price of NOK 1. On the acquisition date, the acquired companies had a total negative equity of NOK 218 million. Prior to the acquisition, DNB Bank ASA had written down the commitment by a corresponding amount.

SC Finans AB

In December 2011, DNB Bank ASA entered into an agreement to purchase all the shares in the finance company SC Finans AB in Sweden. SC Finans AB operates in the Swedish market through the brands Hyundai Finans and Mitsubishi Motors Finans and has a total credit volume of SEK 2.3 billion. The acquisition will strengthen DNB Finans' market position in Sweden. The price paid for the shares was SEK 191 million. On the acquisition date, net excess values of SEK 45 million were identified, which were related to identifiable intangible assets such as customer relations (SEK 10 million), supplier channels (SEK 22 million) and for capitalised systems development costs the carrying amount exceeded the fair value (SEK 7 million). Deferred tax liabilities were calculated to SEK 7 million and the goodwill was measured as the residual at SEK 27 million.

Note 4 Segments

Business areas

The operational structure of DNB includes four business areas and four staff and support units. 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's business areas comprise Retail Banking, Large Corporates and International, DNB Markets and Insurance and Asset Management. In addition, operations in the DnB NORD are reported as a separate profit centre. DNB took over all the shares in DNB NORD with effect from year-end 2010. The operations in the Baltics have been more closely integrated in DNB, and a new strategy has been prepared for operations in the Baltic States. Following the decision to continue operations in Poland as part of the DNB Group, a strategy for Poland is in the process of being drawn up. Banking operations in DNB NORD in Copenhagen are being wound up, and the remaining loan portfolio was transferred to DNB in the fourth quarter of 2011. The operations in Copenhagen will be continued as a pure investment company. The tables present figures for total operations in DnB NORD.

- | | |
|------------------------------------|---|
| Retail Banking | - offers a broad range of financial products and services through 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, insurance, 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, 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 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 Group into business areas, as reported to group management (highest decision-making body) for an assessment of current developments and the allocation of resources. Figures for the business areas are based on DNB'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.

The risk-adjusted capital requirement is a measure of the Group's economic capital, based on its risk systems. It is used to measure the capital required to fund transactions and volumes. The Group's actual equity is affected by external parameters and is not directly comparable with the risk-adjusted capital requirement. Returns in the table of key figures below are calculated based on the risk-adjusted capital requirement.

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 Markets. 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". Double entries also include income from Insurance and Asset Management. Double entries are eliminated in the group accounts.

Note 4 Segments (continued)

Income statement, fourth quarter

	DNB Group													
	Retail Banking		Large Corporates and International		DNB Markets		Insurance and Asset Management		DnB NORD		Other operations/ eliminations ¹⁾		DNB Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
Amounts in NOK million	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income - ordinary operations	3 646	3 497	2 218	1 616	195	224	(107)	(74)	314	344	526	546	6 792	6 153
Interest on allocated capital ²⁾	166	134	189	157	50	35	115	91	15	12	(535)	(429)	0	0
Net interest income	3 812	3 631	2 407	1 773	245	259	8	17	330	355	(10)	118	6 792	6 153
Other operating income	892	781	190	388	1 247	1 164	823	1 243	197	120	2 250	858	5 599	4 553
Income attributable to product suppliers	340	347	516	661	0	0	0	0	0	0	(856)	(1 008)	0	0
Net other operating income	1 232	1 128	706	1 049	1 247	1 164	823	1 243	197	120	1 394	(151)	5 599	4 553
Total income	5 044	4 760	3 113	2 822	1 493	1 422	831	1 260	526	475	1 384	(33)	12 392	10 706
Other operating expenses	2 752	2 490	712	533	483	467	576	628	1 006	342	56	149	5 586	4 610
Cost attributable to product suppliers	176	187	219	266	0	0	0	0	0	0	(395)	(453)	0	0
Operating expenses	2 929	2 677	931	799	483	467	576	628	1 006	342	(339)	(304)	5 586	4 610
Pre-tax operating profit before write-downs	2 116	2 083	2 182	2 023	1 009	955	255	632	(480)	133	1 723	271	6 806	6 096
Net gains on fixed and intangible assets	0	5	0	0	0	0	0	0	(3)	13	2	8	(1)	26
Write-downs on loans and guarantees ³⁾	274	362	338	191	0	0	0	0	313	304	1	(329)	926	529
Write-downs attributable to product suppliers	0	0	(2)	(1)	0	0	0	0	0	0	2	1	0	0
Pre-tax operating profit	1 842	1 725	1 846	1 833	1 009	955	255	632	(797)	(159)	1 722	606	5 878	5 593

1) Other operations/eliminations:

Amounts in NOK million	Elimination of income/ cost attributable to product suppliers		Other eliminations		Group Centre ¹⁾		Total	
	4th quarter		4th quarter		4th quarter		4th quarter	
	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income - ordinary operations	0	0	(28)	(10)	554	556	526	546
Interest on allocated capital ²⁾	0	0	0	0	(535)	(429)	(535)	(429)
Net interest income	0	0	(28)	(10)	18	128	(10)	118
Other operating income	0	0	(265)	(313)	2 516	1 170	2 250	858
Income attributable to product suppliers	(856)	(1 008)	0	0	0	0	(856)	(1 008)
Net other operating income	(856)	(1 008)	(265)	(313)	2 516	1 170	1 394	(151)
Total income	(856)	(1 008)	(293)	(323)	2 534	1 298	1 384	(33)
Other operating expenses	0	0	(293)	(323)	349	472	56	149
Cost attributable to product suppliers	(395)	(453)	0	0	0	0	(395)	(453)
Operating expenses	(395)	(453)	(293)	(323)	349	472	(339)	(304)
Pre-tax operating profit before write-downs	(461)	(555)	0	0	2 184	826	1 723	271
Net gains on fixed and intangible assets	0	0	0	0	2	8	2	8
Write-downs on loans and guarantees ³⁾	0	0	0	0	1	(329)	1	(329)
Write-downs attributable to product suppliers	2	1	0	0	0	0	2	1
Pre-tax operating profit	(463)	(556)	0	0	2 185	1 162	1 722	606

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 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, Communications and eBusiness, Corporate Centre, Treasury, the partially owned company Eksporthfinans, 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	
	2011	2010
+ Interest on unallocated equity etc.	178	98
+ Income from equities investments	(14)	593
+ Mark-to-market adjustments Treasury and fair value on lending	2 115	248
+ Eksporthfinans AS	112	87
- Unallocated write-downs on loans and guarantees	1	(329)
- Allocation to employees	52	94
- Ownership-related expenses (costs relating to shareholders, investor relations, strategic planning etc.)	61	56
- Unallocated pension expenses	(5)	(37)
- Impairment losses for intangible assets	(183)	0
- Funding costs on goodwill	15	12
Other	(263)	(68)
Pre-tax operating profit	2 185	1 162

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

3) As from 1 January 2011, changes in collective write-downs are included in the accounts of Retail Banking and Large Corporates and International. See note 13 Write-downs on loans and guarantees for an analysis of the gross change in write-downs for the Group.

Note 4 Segments (continued)

Main average balance sheet items

											DNB Group			
	Retail Banking		Large Corporates and International		DNB Markets		Insurance and Asset Management		DnB NORD		Other operations/ eliminations		DNB Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
<i>Amounts in NOK billion</i>	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net lending to customers ¹⁾	809.2	750.1	395.0	350.6	1.9	2.7	1.4	2.9	55.4	62.1	(3.2)	(4.7)	1 259.6	1 163.7
Deposits from customers ¹⁾	424.4	387.7	249.5	228.1	44.7	17.5			22.3	23.5	(1.7)	(3.3)	739.3	653.5
Assets under management ²⁾							518.5	522.5					518.5	522.5
Allocated capital ³⁾	22.1	21.1	25.2	24.6	6.7	5.5	15.2	14.2	4.0	4.5				

Key figures

											DNB Group			
	Retail Banking		Large Corporates and International		DNB Markets		Insurance and Asset Management		DnB NORD		Other operations		DNB Group	
	4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter		4th quarter	
<i>Per cent</i>	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Cost/income ratio ⁴⁾	58.1	56.2	29.9	28.3	32.4	32.8	69.3	49.8	84.2	72.2			42.0	43.1
Ratio of deposits to lending ^{1) 5)}	52.5	51.7	63.2	65.1					40.3	37.8			58.7	56.2
Return on allocated capital, annualised ³⁾	23.8	23.4	20.9	21.3	42.9	49.6	9.8	36.2	(18.5)	(11.2)			23.3	48.2
Number of full-time positions as at 31 December	5 040	4 842	1 174	1 103	698	668	1 060	1 047	3 297	3 159	2 352	2 203	13 620	13 021

- 1) Lending to customers includes accrued interest, write-downs and value adjustments. Lending to credit institutions are not included. Correspondingly, deposits from customers include accrued interest and value adjustments. Deposits from credit institutions are not included.
- 2) The figures include total assets in DNB Livsforsikring.
- 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 capital is used for the Group.
- 4) Total operating expenses relative to total income. In the fourth quarter of 2011 the expenses are exclude impairment losses for goodwill and intangible assets.
- 5) Deposits from customers relative to net lending to customers.

Comments to the income statement, fourth quarter

Retail Banking

Pre-tax operating profits totalled NOK 1 842 million in the fourth quarter of 2011, an increase of NOK 117 million from the year-earlier period. The profit for the year also showed a positive trend, rising by NOK 495 million to NOK 7 214 million in 2011. There was a positive development in volumes and a satisfactory trend in non-performing commitments and write-downs. Retail Banking showed a stable, sound trend in 2011. Average net lending increased by 7.9 per cent from the fourth quarter of 2010 to the corresponding period in 2011. The growth rates for both home mortgages and lending to small and medium-sized businesses increased through the year, parallel to a positive trend for deposits. Compared with the year-earlier period, average deposits rose by 9.5 per cent, while the average ratio of deposits to lending was 52.5 per cent for the quarter. Along with customer deposits, covered bonds based on home mortgages in DNB Boligkreditt were key sources of funding. At end-December 2011, 95 per cent of lending volume in Retail Banking was funded by deposits and covered bonds. Net interest income rose by NOK 181 million from the fourth quarter of 2010. Increasing volumes and the discontinuation of guarantee fund levies compensated for the pressure on interest rate spreads, rising funding costs and lag effects related to the implementation of interest rate adjustments. The weighted interest rate spread, defined as total margin income on loans and deposits relative to total loans and deposits, was 1.18 per cent in the fourth quarter of 2011, down from 1.24 per cent in the year-earlier period. Relative to the 3-month money market rate, the spread on home mortgages was 0.84 per cent in the fourth quarter of 2011, down from 1.04 per cent in the year-earlier period. Net other operating income increased by NOK 104 million compared with the fourth quarter of 2010, reflecting higher net income from payment transactions and a higher level of activity within real estate broking. High market activity and IT development contributed to raising operating expenses. The number of full-time positions was 5 040 at end-December 2011, with 4 695 in the business area's units in Norway. The quality of the loan portfolio was sound, with relatively low net write-downs in both the retail and corporate markets. Net write-downs represented 0.13 per cent of net lending, down from 0.19 per cent in the fourth quarter of 2010. Net non-performing and doubtful commitments amounted to NOK 6.2 billion at end-December 2011, down NOK 0.9 billion from end-December 2010.

Large Corporates and International

Pre-tax operating profits came to NOK 1 846 million, up NOK 13 million from the fourth quarter of 2010. The profit for the year rose by NOK 610 million compared with 2010, to NOK 6 734 million. There were good opportunities in the markets during the fourth quarter of 2011, and average lending increased by 12.7 per cent from the fourth quarter of 2010. A large part of Large Corporates and International's financial transactions are denominated in US dollars, and adjusted for the depreciation of the US dollar rate from the fourth quarter of 2010, there was a 15.0 per cent rise in lending. The greater part of this increase took place during the second half of 2011, and lending volumes expanded by NOK 23.8 billion from the third to the fourth quarter. There was a significant rise in deposits towards the end of 2011, with an average growth rate of 9.4 per cent compared with both the fourth quarter of 2010 and the third quarter of 2011. Relative to the 3-month money market rate, lending spreads widened by 0.23 percentage points from the fourth quarter of 2010 and by 0.08 percentage points from the third quarter of 2011, to 1.76 per cent. The widening spreads helped compensate for higher long-term funding costs. There was strong competition for deposits, and deposit spreads declined by 0.06 percentage points from the fourth quarter of 2010 and by 0.02 percentage points from the third quarter of 2011. The reduction in other operating income was mainly attributable to a negative development in the value of repossessed assets in the form of equities and ownership interests. Operating expenses rose by 16.5 per cent from the fourth quarter of 2010, mainly due to a rise in staff numbers in strategic priority areas, higher costs related to IT development activity and costs related to repossessed assets. The cost/income ratio rose by 1.6 percentage points during the same period. At end-December 2011, staff in the business area represented 1 174 full-time positions, including 670 positions outside Norway. Net write-downs on loans represented 0.34 per cent of net lending to customers on an annual basis, of which individual write-downs represented 0.32 per cent. In the fourth quarter of 2010, net individual write-downs came to 0.22 per cent of net lending. Net non-performing and doubtful commitments amounted to NOK 6.4 billion at end-December

Note 4 Segments (continued)

2011, up NOK 5.0 billion from end-September 2011. The corresponding figure at end-December 2010 was NOK 2.7 billion. The increase was due to the fact that a few large commitments were classified as non-performing and doubtful after being subject to moderate write-downs. The quality of the loan portfolio remained sound, and close follow-up of customers and preventive measures ensured a positive trend from the preceding quarters. Market conditions may cause challenges for certain customer segments over the coming period.

DNB Markets

DNB Markets is Norway's largest provider of securities and investment services. The business area recorded a strong level of profits in the fourth quarter of 2011. A higher level of customer activity within interest rate hedging and a rise in income from market making and other proprietary trading more than compensated for the low level of capital market activity. Pre-tax operating profits totalled NOK 1 009 million in the fourth quarter of 2011, up 5.7 per cent compared with the year-earlier period. Pre-tax operating profits for the full year 2011 were NOK 4 160 million, up NOK 522 million from 2010. Customer-related revenues totalled NOK 705 million, a reduction of NOK 192 million from the fourth quarter of 2010, reflecting a low level of market activity within corporate finance and equities brokerage. Declining long-term interest rates in the fourth quarter of 2011 boosted demand for interest rate hedging among customers. Due to an increase in demand, there was a 5.3 per cent rise in customer-related income from foreign exchange, interest rate and commodity products compared with the year-earlier period. Customer-related income from the sale of securities and other investment products rose by more than 60 per cent compared with the fourth quarter of 2010 due to a higher level of income from equity derivatives and especially from bond brokerage. DNB Markets was the largest brokerage house on Oslo Børs both in the fourth quarter of 2011 and for the year as a whole in these product segments. Due to a low level of activity within both debt and equity capital issues, there was a NOK 259 million reduction in customer-related revenues from corporate finance services compared with the fourth quarter of 2010. DNB Markets established a Debt Capital Markets unit in London during the fourth quarter of 2011 and has thus established such operations at all of DNB's large international offices: London, New York, Singapore and Stockholm, in addition to in Norway. Due to a generally low level of capital market activity, there was a reduction in customer-related revenues from custodial and other securities services compared with the fourth quarter of 2010. Income from market making and other proprietary trading rose by a total of NOK 248 million from the year-earlier period. There was a rise in income from trading in foreign exchange, international interest rate products and, most particularly, Norwegian interest rate products. The market turmoil, which had a negative impact on customer-related activities in the capital markets, thus had a positive effect on trading activities. Developments in the equity, credit, commodity, currency and interest rate markets will be decisive for the business area's future performance.

Revenues within various segments

<i>Amounts in NOK million</i>	4th quarter 2011	DNB Markets 4th quarter 2010
FX, interest rate and commodity derivatives	407	387
Investment products	137	85
Corporate finance	106	365
Securities services	55	60
Total customer revenues	705	897
Net income international bond portfolio	51	291
Other market making/trading revenues	687	199
Total trading revenues	738	490
Interest income on allocated capital	50	35
Total income	1 493	1 422

Insurance and Asset Management

DNB Livsforsikring:

DNB Livsforsikring's profit performance in the fourth quarter of 2011 reflected a certain recovery in the financial markets. Following a review of operating systems and routines in DNB Livsforsikring, a downward adjustment of profits of NOK 282 million was required. Pre-tax operating profits came to NOK 141 million, which represented a NOK 450 million reduction from the fourth quarter of 2010. DNB Livsforsikring recorded pre-tax profits of NOK 415 million for the full year 2011. DNB Livsforsikring achieved recorded and value-adjusted returns of 1.5 and 1.7 per cent, respectively, on the common portfolio in the fourth quarter of 2011, excluding changes in the value of bonds held to maturity. For 2011, the returns came to 3.2 and 2.1 per cent. The corporate portfolio generated returns of 0.7 per cent for the quarter and 1.2 per cent for 2011. Premium income totalled NOK 3.6 billion in the fourth quarter of 2011, up 8.2 per cent compared with the year-earlier period. See DNB Livsforsikring's income statement, balance sheets and key figures on the next pages.

DNB Asset Management:

DNB Asset Management recorded pre-tax operating profits of NOK 78 million in the fourth quarter of 2011, an increase of NOK 11 million from the year-earlier period. The rise in profits mainly reflected a reduction in costs and higher income due to healthy asset management performance. Pre-tax profits of NOK 235 million were recorded for the full year 2011, down NOK 42 million from the previous year. Total commission income increased by NOK 4 million, which included a NOK 22 million rise in performance-based revenues from the fourth quarter of 2010.

DnB NORD

Overall, the operations in DNB NORD generated pre-tax operating losses of NOK 797 million in the fourth quarter of 2011 and NOK 1 449 million in 2011. The level of costs was affected by impairment losses for goodwill relating to the operations in Poland and write-downs of capitalised systems development totalling NOK 563 million in the fourth quarter of 2011.

DNB Baltics and Poland:

DNB Baltics and Poland offers financial services to corporate and personal customers in Estonia, Latvia, Lithuania and Poland. A pre-tax operating loss of NOK 236 million was recorded in the fourth quarter of 2011. Performance was negatively affected by impairment losses on intangible assets of NOK 191 million for the quarter. There was a pre-tax operating loss of NOK 673 million for 2011, an improvement of NOK 191 million compared with 2010. Net lending to customers was relatively stable through 2011, but increased somewhat towards the end of the year. Compared with the fourth quarter of 2010, there was relatively brisk average lending growth in Poland of 22.8 per cent compared with

Note 4 Segments (continued)

the fourth quarter of 2010, while lending volumes in the Baltics were down 8.7 per cent during the same period. The decline in lending in the Baltics was due to general market conditions. In spite of an improved macroeconomic situation in all these countries and increasing growth, it will take time before this is reflected in higher investment levels and rising credit demand. Average customer deposits were unchanged from the fourth quarter of 2010. However, there was relatively strong growth in deposits towards the end of the year, which demonstrates that the customers have faith in DNB Baltics and Poland as part of a sound Norwegian bank. The reduction in net interest income from the fourth quarter of 2010 mainly reflected narrowing lending spreads. However, there was a positive trend in lending spreads through 2011, and new loans are being granted at a significantly higher margin than the average for the portfolio. Net write-downs on loans were reduced by 9.8 per cent from the fourth quarter of 2010, but remained at a relatively high level, representing 1.56 per cent of average lending, down from 1.73 per cent in 2010. In consequence of high write-downs in Latvia, especially in the third quarter, the level of write-downs remained high for the full year 2011, standing at 2.39 per cent of average lending, a slight reduction from 2.48 per cent in 2010. Latvia accounted for 78 per cent of total write-downs on loans in DNB Baltics and Poland in 2011. The write-downs in Latvia referred to home mortgages and were due to a reassessment of collateral values and rising costs associated with the repossessing of properties.

Group Centre

The Group Centre recorded a pre-tax operating profit of NOK 2 185 million in the fourth quarter of 2011, compared with NOK 1 162 million in the year-earlier period. Profits attributable to the Group from the associated company Eksporthfinans totalled NOK 112 million in the fourth quarter of 2011, including the share of the portfolio guarantee issued for the liquidity portfolio, compared with NOK 87 million in the fourth quarter of 2010. Income from equity investments totalled a loss of NOK 14 million in the fourth quarter of 2011, a decrease of NOK 607 million from the previous year. There was a profit contribution of NOK 2 115 million from own debt, loans carried at fair value and related derivatives in the fourth quarter of 2011, compared with a contribution of NOK 248 million in the corresponding period in 2010. Collective write-downs of NOK 329 million were reversed in the fourth quarter of 2010. With effect from 2011, the collective write-downs relating to the loan portfolios in Retail Banking and Large Corporates and International are included in the respective business areas' accounts.

Income statement, full year

	DNB Group													
	Retail Banking		Large Corporates and International		DNB Markets		Insurance and Asset Management		DnB NORD		Other operations/ eliminations		DNB Group	
	Full year	Full year	Full year	Full year	Full year	Full year	Full year	Full year	Full year	Full year	Full year	Full year	Full year	Full year
<i>Amounts in NOK million</i>	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income - ordinary operations	13 805	13 643	7 522	5 884	842	928	(375)	(253)	1 231	1 383	2 227	1 851	25 252	23 436
Interest on allocated capital	592	497	661	608	165	145	457	339	59	38	(1 933)	(1 627)	0	0
Net interest income	14 397	14 139	8 183	6 492	1 007	1 073	82	86	1 290	1 422	294	224	25 252	23 436
Other operating income	3 681	3 501	972	1 151	5 152	4 398	3 009	4 116	724	627	3 214	2 364	16 754	16 156
Income attributable to product suppliers	1 328	1 263	2 100	2 006	0	0	0	0	0	0	(3 428)	(3 269)	0	0
Net other operating income	5 010	4 764	3 072	3 157	5 152	4 398	3 009	4 116	724	627	(214)	(905)	16 754	16 156
Total income	19 406	18 903	11 255	9 649	6 159	5 471	3 091	4 201	2 014	2 048	80	(681)	42 006	39 592
Other operating expenses	10 659	10 290	2 473	2 130	1 999	1 833	2 333	2 288	2 035	1 700	673	270	20 172	18 511
Cost attributable to product suppliers	658	675	873	806	0	0	0	0	0	0	(1 531)	(1 481)	0	0
Operating expenses	11 317	10 965	3 346	2 935	1 999	1 833	2 333	2 288	2 035	1 700	(858)	(1 211)	20 172	18 511
Pre-tax operating profit before write-downs	8 089	7 938	7 909	6 713	4 160	3 638	758	1 913	(21)	348	938	530	21 833	21 081
Net gains on fixed and intangible assets	2	6	0	0	0	0	0	0	9	(15)	8	33	19	24
Write-downs on loans and guarantees	877	1 225	1 175	586	0	0	0	0	1 437	1 813	(44)	(627)	3 445	2 997
Write-downs attributable to product suppliers	0	0	1	3	0	0	0	0	0	0	(1)	(3)	0	0
Pre-tax operating profit	7 214	6 719	6 734	6 124	4 160	3 638	758	1 913	(1 449)	(1 481)	991	1 194	18 407	18 108

Comments to the income statement, full year

DNB recorded profits for the period of NOK 12 979 million in 2011, a reduction of NOK 1 083 million compared with 2010. Pre-tax operating profits before write-downs rose by NOK 752 million, to NOK 21 833 million. However, due to a higher tax charge and a certain increase in write-downs on loans, there was a reduction in the profit for the year. The Group's financial performance in 2011 reflected the extensive financial market turmoil in the second half of the year due to the inability of certain EU countries to service their debt. DNB was affected by falling equity prices and market volatility. However, the Group had no direct exposure to these countries. The financial turmoil was a contributing factor to the tightening of the capitalisation requirements for financial institutions, both internationally and in Norway, in the second half of the year.

Net interest income rose by NOK 1 816 million or 7.7 per cent from 2010 to 2011. Average lending volumes increased by NOK 72.7 billion or 6.5 per cent during this period. There was significant lending growth through most of 2011, though the rate of growth abated towards the end of the year. In terms of NOK, deposits increased almost as much as lending, which gave a significant increase in the ratio of deposits to lending, from 54.8 per cent at end-December 2010 to 57.8 per cent at year-end 2011. Parallel, to this, there was a rise in debt securities issued by the Group, which ensured a stronger long-term funding base. Relative to the 3-month money market rate, both lending and deposit spreads were virtually unchanged from the beginning to the end of the year, though lending spreads widened towards the end of the year, thus partially compensating for the rise in long-term funding costs. In consequence of the financial market turmoil, the cost of new funding remained at a significantly higher level than the short-term money market rates.

Other operating income rose by NOK 598 million from 2010, to NOK 16 754 million in 2011. In 2010, the Group recorded gains of NOK 1 170 million in connection with the merger between the payment services company Nordito and the Danish PBS Holding. Adjusted for these gains, other operating income rose by NOK 1 768 million from 2010. The financial market turmoil gave a rise in income from foreign exchange and interest rate instruments, including the valuation of currency swaps on funding, of NOK 3 438 million compared with 2010. On the other hand, the weak financial markets resulted in a NOK 1 167 million reduction in profits in DNB Livsforsikring compared with 2010. In light of the downturn in the financial markets, other operating income showed a satisfactory trend from 2010 to 2011.

Note 4 Segments (continued)

Total operating expenses rose by NOK 1 662 million from 2010. Adjusted for impairment losses for goodwill and intangible assets and the reversal of allocations to pension commitments in 2010, expenses rose by NOK 1 505 million or 8.2 per cent. The high level of activity in 2011 gave a rise in income and higher costs, and also required an increase in investments. There was a significant escalation in market and customer activities both in and outside Norway, and the Group increased its IT initiatives. Several cost items in 2011 were of a non-recurring nature, including the transfer of Postbanken's customers to DNB's IT systems and the coordination of the Group's products and services under one brand. This will help reduce future costs. The Group's cost programme was on schedule for reaching communicated targets at year-end 2011.

Sickness absence in DNB's Norwegian operations was 4.2 per cent in 2011, a reduction from 4.3 per cent in 2010. Among other things, the Group improved its routines for following up employees on short or long-term sick leave in 2011.

Write-downs on loans and guarantees rose by NOK 448 million from 2010. Individual write-downs were reduced by NOK 856 million, while there was an increase in collective write-downs during the year, partly due to weakening economic conditions.

Return on equity was 11.4 per cent in 2011, down from 13.6 per cent in 2010. Earnings per share were NOK 7.98 in 2011 and NOK 8.66 in 2010.

The Group continued its adaptations to the new liquidity, funding and capital requirements which are expected to be introduced over the next few years. Due to market uncertainty, there was a further rise in long-term funding costs towards the end of the year. These costs represent the Group's marginal cost of funding. Only a small part of funding can be obtained from sources which base their prices on the short-term money market rate.

DNB Livsforsikring

The business area Insurance and Asset Management comprises DNB Livsforsikring ASA and DNB Asset Management Holding AS and their respective subsidiaries, in addition to DNB Skadeforsikring. DNB Livsforsikring ASA including subsidiaries is fully consolidated in the DNB Group's accounts. DNB Livsforsikring'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 Group's access to revenues and assets from life insurance operations. The tables below describe the income statement, balance sheet and key figures for DNB Livsforsikring.

Income statement ¹⁾	DNB Livsforsikring			
	4th quarter 2011	4th quarter 2010	Full year 2011	Full year 2010
<i>Amounts in NOK million</i>				
Commissions and fees receivable etc.	426	585	2 162	2 303
Commissions and fees payable etc.	78	90	315	358
Net gains on assets in DNB Livsforsikring	4 255	6 414	5 795	15 068
Guaranteed returns and allocations to policyholders in DNB Livsforsikring	4 124	5 879	5 772	13 500
Premium income etc. included in the risk result in DNB Livsforsikring	1 291	1 242	4 941	4 721
Insurance claims etc. included in the risk result in DNB Livsforsikring	1 247	1 248	4 853	4 977
Other income	9	0	29	0
Net other operating income	533	1 023	1 988	3 258
Total income	533	1 023	1 988	3 258
Salaries and other personnel expenses	153	151	674	637
Other expenses	213	245	791	779
Depreciation and impairment of fixed and intangible assets	26	35	107	118
Total operating expenses	392	431	1 573	1 534
Net gains on fixed and intangible assets	0	0	0	1
Pre-tax operating profit	141	591	415	1 724
Taxes	(154)	(672)	101	(672)
Profit for the period ²⁾	294	1 263	314	2 396

1) The figures encompass DNB Livsforsikring ASA including subsidiaries as included in the DNB Group accounts before eliminations for intra-group transactions and balances.

2) Breakdown of income statement

Breakdown of income statement	DNB Livsforsikring			
	4th quarter 2011	4th quarter 2010	Full year 2011	Full year 2010
<i>Amounts in NOK million</i>				
Interest result	1 570	3 222	(74)	6 033
Application of/(transferred to) additional allocations	(1 062)	(407)	524	(407)
Risk result	62	(9)	129	(242)
Administration result	(162)	(62)	(192)	(104)
Upfront pricing of risk and guaranteed rate of return	136	135	531	552
Transferred from security reserve	(18)	2	(41)	(14)
Funds transferred to policyholders	385	2 290	462	4 093
Pre-tax operating profit	141	591	415	1 724
Taxes	(154)	(672)	101	(672)
Profit for the period	294	1 263	314	2 396

Note 4 Segments (continued)

Balance sheets ¹⁾	DNB Livsforsikring	
	31 Dec. 2011	31 Dec. 2010
<i>Amounts in NOK million</i>		
Assets		
Lending to and deposits with credit institutions	4 999	4 730
Lending to customers	1 858	2 833
Commercial paper and bonds	72 810	46 574
Shareholdings ²⁾	40 607	60 443
Financial assets, customers bearing the risk	23 776	23 506
Financial derivatives	1 470	2 445
Commercial paper and bonds, held to maturity	73 954	68 038
Investment property ³⁾	37 632	35 961
Investments in associated companies	16	16
Intangible assets	240	256
Deferred tax assets	0	629
Fixed assets	10	21
Other assets	1 460	1 654
Total assets	258 831	247 107
Liabilities and equity		
Financial derivatives	2 322	1 299
Insurance liabilities, customers bearing the risk	23 776	23 506
Liabilities to life insurance policyholders in DNB Livsforsikring	212 271	205 550
Payable taxes	214	27
Deferred taxes	382	0
Other liabilities	2 646	1 591
Pension commitments	224	224
Subordinated loan capital	2 509	2 497
Total liabilities	244 343	234 693
Share capital	1 621	1 321
Share premium reserve	3 875	1 175
Other equity	8 992	9 918
Total equity	14 488	12 413
Total liabilities and equity	258 831	247 107

1) The figures encompass DNB Livsforsikring ASA including subsidiaries as included in the DNB Group accounts before eliminations for intra-group transactions and balances.

2) Investments in Private Equity, PE, totalled NOK 3.2 billion at end-December 2011. See note 16 Investments in shares.

3) See note 18 Investment property.

Key figures	DNB Livsforsikring			
	4th quarter 2011	4th quarter 2010	Full year 2011	Full year 2010
<i>Per cent</i>				
Recorded return, excluding unrealised gains on financial instruments ¹⁾	1.5	2.3	3.2	6.2
Value-adjusted return, excluding unrealised gains on commercial paper and bonds, held to maturity ¹⁾	1.7	2.7	2.1	6.8
Value-adjusted return, including unrealised gains on commercial paper and bonds, held to maturity, and unrealised gains on current assets ¹⁾	1.6	1.9	2.8	6.9
Capital adequacy ratio at end of period ²⁾	15.3	11.0	15.3	11.0
Core capital ratio at end of period ²⁾	13.9	9.7	13.9	9.7
Solvency margin capital in per cent of requirement at end of period ^{2) 3)}	192	179	192	179

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

<i>Amounts in NOK million</i>	DNB Group			
	4th quarter 2011	4th quarter 2010	Full year 2011	Full year 2010
Interest on loans to and deposits with credit institutions	455	244	1 431	1 061
Interest on loans to customers	13 400	11 576	48 968	43 411
Interest on impaired commitments	58	56	237	247
Interest on commercial paper and bonds	2 327	2 514	9 384	9 568
Front-end fees etc.	91	96	292	287
Other interest income	646	681	3 007	2 334
Total interest income	16 976	15 168	63 320	56 909
Interest on loans and deposits from credit institutions	958	1 226	4 426	5 008
Interest on deposits from customers	3 931	3 005	13 942	10 986
Interest on debt securities issued	4 295	3 412	15 363	12 239
Interest on subordinated loan capital	149	159	616	667
Other interest expenses ¹⁾	850	1 214	3 721	4 573
Total interest expenses	10 184	9 015	38 068	33 473
Net interest income	6 792	6 153	25 252	23 436

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

Note 6 Net commissions and fees receivable

<i>Amounts in NOK million</i>	DNB Group			
	4th quarter 2011	4th quarter 2010	Full year 2011	Full year 2010
Money transfer fees receivable	761	721	2 984	2 957
Fees on asset management services	283	271	1 115	1 096
Fees on custodial services	73	75	311	295
Fees on securities broking	36	86	254	303
Corporate finance	123	207	454	608
Interbank fees	23	24	92	97
Credit broking commissions	33	200	488	474
Sales commissions on insurance products	503	625	2 468	2 579
Sundry commissions and fees receivable on banking services	252	210	968	851
Total commissions and fees receivable etc.	2 087	2 420	9 135	9 261
Money transfer fees payable	278	323	1 049	1 112
Commissions payable on fund management services	31	27	133	121
Fees on custodial services payable	27	24	122	112
Interbank fees	33	36	130	140
Credit broking commissions	29	(44)	93	48
Commissions payable on the sale of insurance products	31	18	124	137
Sundry commissions and fees payable on banking services	162	127	605	550
Total commissions and fees payable etc.	592	511	2 256	2 220
Net commissions and fees receivable	1 495	1 910	6 879	7 040

Note 7 Net gains on financial instruments at fair value

<i>Amounts in NOK million</i>	DNB Group			
	4th quarter 2011	4th quarter 2010	Full year 2011	Full year 2010
Dividends	63	55	521	387
Net gains on commercial paper and bonds	49	(135)	418	539
Net gains on shareholdings	(226)	695	(247)	582
Net gains on other financial instruments ¹⁾	3 511	1 069	6 969	3 453
Net gains on financial instruments at fair value	3 397	1 684	7 661	4 961

1) There was a particularly high level of income from mark-to-market adjustments on foreign exchange and interest rate instruments in the fourth quarter of 2011. The Group will record a high level of such income when the financial markets are volatile, though the income will be reversed over the instruments' term to maturity. In more stable markets, market values will be reduced.

Note 8 Profit from companies accounted for by the equity method

Moody's and Standard & Poor's downgrades of Eksportfinans' credit rating in the fourth quarter of 2011 resulted in sizeable unrealised gains on the company's long-term funding. The effect of such unrealised gains on DNB's holding, after tax, represented more than NOK 11 billion in the fourth quarter of 2011. After reviewing the fair value of the company, DNB wrote down the value by an amount corresponding to unrealised gains on Eksportfinans' own debt in the fourth quarter. The write-down has been reported on the line "Profit from companies accounted for by the equity method" along with DNB's share of profits from the company.

Note 9 Other income

<i>Amounts in NOK million</i>	DNB Group			
	4th quarter 2011	4th quarter 2010	Full year 2011	Full year 2010
Income from owned/leased premises	69	21	222	66
Fees on real estate broking	260	223	1 012	860
Miscellaneous operating income ¹⁾	145	100	540	1 639
Total other income	474	343	1 775	2 565

1) The merger between the payment services company Nordito and the Danish PBS Holding during the second quarter of 2010, generated a gain of NOK 1 170 million.

Note 10 Operating expenses

<i>Amounts in NOK million</i>	DNB Group			
	4th quarter 2011	4th quarter 2010	Full year 2011	Full year 2010
Salaries	1 985	1 830	7 594	7 071
Employer's national insurance contributions	194	260	985	1 025
Pension expenses ¹⁾	229	158	989	448
Restructuring expenses	12	(19)	11	36
Other personnel expenses	199	209	701	680
Total salaries and other personnel expenses	2 618	2 438	10 279	9 259
Fees ²⁾	526	365	1 775	1 437
IT expenses ²⁾	404	345	1 658	1 635
Postage and telecommunications	97	98	370	377
Office supplies	38	28	105	99
Marketing and public relations	241	224	949	812
Travel expenses	94	83	277	244
Reimbursement to Norway Post for transactions executed	39	36	167	151
Training expenses	25	26	75	75
Operating expenses on properties and premises	354	308	1 383	1 280
Operating expenses on machinery, vehicles and office equipment	38	47	146	151
Other operating expenses	243	123	816	735
Total other expenses	2 098	1 685	7 722	6 995
Impairment losses for goodwill ³⁾	190	0	190	194
Depreciation and write-downs of fixed and intangible assets ⁴⁾	680	487	1 982	2 063
Total depreciation and write-downs of fixed and intangible assets	870	487	2 172	2 256
Total operating expenses	5 586	4 610	20 172	18 511

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 also include system development fees and must be viewed relative to IT expenses.

3) Impairment losses for goodwill of NOK 190 million relating to DNB Baltics and Poland were recorded in the fourth quarter of 2011 and impairment losses for goodwill of NOK 194 million relating to Svensk Fastighetsförmedling were recorded in the second quarter of 2010.

4) See note 19 Intangible assets.

Note 11 Number of employees/full-time positions

	DNB Group			
	4th quarter 2011	4th quarter 2010	Full year 2011	Full year 2010
Number of employees at end of period	14 072	13 365	14 072	13 365
- of which number of employees abroad	4 674	4 391	4 674	4 391
Number of employees calculated on a full-time basis at end of period	13 620	13 021	13 620	13 021
- of which number of employees calculated on a full-time basis abroad	4 560	4 338	4 560	4 338
Average number of employees	13 994	13 428	13 641	13 485
Average number of employees calculated on a full-time basis	13 567	13 085	13 250	13 131

Note 12 Taxes

	DNB Group	
	Full year 2011	Full year 2010
<i>Amounts in NOK million</i>		
Operating profit before taxes	18 407	18 108
Estimated income tax - nominal tax rate (28 per cent)	5 154	5 070
Tax effect of different tax rates in other countries	316	119
Tax effect of debt interest distribution with international branches	84	57
Tax effect of tax-exempt income and non-deductible expenses	(323)	(1 626)
Estimated taxes on tax-related losses which cannot be utilised ¹⁾	382	400
Excess tax provision previous year ²⁾	(190)	101
Total taxes	5 423	4 121
Effective tax rate	29%	23%

1) *Deferred taxes for tax-deductible differences (mainly losses carried forward) in subsidiaries are not recognised in the balance sheet unless the Group can prove that these tax positions will be utilised in the future.*

2) *NOK 440 million of this represents deferred tax assets for previous years which have not been recognised in the balance sheet.*

Note 13 Write-downs on loans and guarantees

	DNB Group			
	4th quarter 2011	4th quarter 2010	Full year 2011	Full year 2010
<i>Amounts in NOK million</i>				
Write-offs	103	113	550	459
New individual write-downs	1 265	1 369	4 120	5 141
Total new individual write-downs	1 368	1 482	4 670	5 600
Reassessed individual write-downs	228	361	1 015	1 109
Recoveries on commitments previously written off	120	160	437	418
Net individual write-downs	1 020	961	3 217	4 074
Change in collective write-downs on loans	(94)	(432)	227	(1 077)
Write-downs on loans and guarantees ^{*)}	926	529	3 445	2 997
Write-offs covered by individual write-downs made in previous years	770	1 060	2 753	2 217
<i>*) Of which individual write-downs on guarantees</i>	40	(24)	26	(3)

Write-downs on loans and guarantees totalled NOK 926 million for the quarter, which represented an increase of NOK 397 million from the fourth quarter of 2010, but a reduction of NOK 244 million from the third quarter of 2011. Individual write-downs in Retail Banking showed a slight reduction from the fourth quarter of 2010, while there was a NOK 126 million increase in Large Corporates and International, relating primarily to the Nordic Corporates and Shipping, Offshore and Logistics divisions. Following an increase in the third quarter, individual write-downs in the Baltics and Poland again showed a downward trend.

Note 14 Lending to customers

<i>Amounts in NOK million</i>	DNB Group	
	31 Dec. 2011	31 Dec. 2010
Lending to customers, nominal amount	1 186 159	1 061 092
Individual write-downs	9 521	9 207
Lending to customers, after individual write-downs	1 176 639	1 051 885
+ Accrued interest and amortisation	2 156	1 946
- Individual write-downs of accrued interest and amortisation	710	658
- Collective write-downs	2 119	1 872
Lending to customers, at amortised cost	1 175 966	1 051 301
Lending to customers, nominal amount	102 284	118 125
+ Accrued interest	453	555
+ Adjustment to fair value	558	359
Lending to customers, at fair value ¹⁾	103 294	119 039
Lending to customers	1 279 259	1 170 341

1) The fair value of loans in Norwegian kroner was reduced by NOK 108 million from 31 December 2010 due to widening margin requirement.

Note 15 Net impaired loans and guarantees for principal customer groups ¹⁾

<i>Amounts in NOK million</i>	DNB Group	
	31 Dec. 2011	31 Dec. 2010
Private individuals	3 771	4 481
Transportation by sea and pipelines and vessel construction	3 551	810
Real estate	3 575	2 503
Manufacturing	2 072	3 165
Services	572	1 521
Trade	854	698
Oil and gas	0	0
Transportation and communication	334	490
Building and construction	647	1 710
Power and water supply	0	25
Seafood	67	10
Hotels and restaurants	298	351
Agriculture and forestry	260	279
Central and local government	0	0
Other sectors	22	53
Total customers	16 023	16 097
Credit institutions	21	0
Total net impaired loans and guarantees	16 043	16 097
Non-performing loans and guarantees not subject to write-downs	3 422	2 313
Total net non-performing and doubtful loans and guarantees	19 465	18 409

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

Note 16 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 2010.

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 description of the model can be found in note 1 Important accounting estimates and discretionary assessments in the annual report for 2010.

Private Equity investments	DNB Group	
	31 Dec. 2011	31 Dec. 2010
<i>Amounts in NOK million</i>		
Private Equity and Management Buyout Funds in DNB Bank Group	423	459
Private Equity investments in DNB Livsforsikring	3 224	2 816
Total Private Equity investments	3 647	3 275

Note 17 Commercial paper and bonds, held to maturity

As part of ongoing liquidity management, DNB 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 international bond portfolio in DNB 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.

In line with IAS 39, the portfolio has been reviewed to identify objective indications of impairment. No impairment losses have been identified in the portfolio.

Measurement of the reclassified bond portfolio

The reclassification in accordance with IAS 39 Financial Instruments: Recognition and Measurements requires that the value of the portfolio based on the principles applied before the reclassification must be reported. In a normal market situation, the 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. In order to meet the disclosure requirement at end-December 2011, the 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 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 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 portfolio in 2011, there would have been a NOK 1.5 billion reduction in profits.

Effects of the reclassifications of the international bond portfolio

By measuring the portfolio at amortised cost, the value of the portfolio as at 31 December 2011 was NOK 2.1 billion higher than 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 39.8 billion at end-December 2011. The average term to maturity of the portfolio is 3.7 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 15 million at end-December 2011.

Note 17 Commercial paper and bonds, held to maturity (continued)

Effects on profits of the reclassification

Amounts in NOK million	DNB Group			
	4th quarter 2011	4th quarter 2010	Full year 2011	Full year 2010
Recorded amortisation effect	62	91	329	429
Net gain, if valued at fair value	67	395	(1 181)	536
Effects of reclassification on profits	(5)	(304)	1 510	(107)

Effects on the balance sheet of the reclassification

Amounts in NOK million	DNB Group	
	31 Dec. 2011	31 Dec. 2010
Recorded, unrealised losses	905	1 234
Unrealised losses, if valued at fair value	3 048	1 868
Effects of reclassification on the balance sheet	2 144	634

Development in the portfolio after the reclassification

Amounts in NOK million	DNB Group	
	31 Dec. 2011	31 Dec. 2010
Reclassified portfolio, recorded value	39 825	54 087
Reclassified portfolio, if valued at fair value	37 682	53 453
Effects of reclassification on the balance sheet	2 144	634

Commercial paper and bonds, held to maturity

Amounts in NOK million	DNB Group	
	31 Dec. 2011	31 Dec. 2010
DNB Markets	95 062	112 567
DNB Livsforsikring	73 954	68 038
Other units ¹⁾	(2 050)	(1 144)
Commercial paper and bonds, held to maturity	166 965	179 461

1) Including eliminations of DNB Livsforsikring's investments in bonds issued by DNB Boligkreditt.

DNB Markets' international bond portfolio

After the reclassification date, DNB Markets has chosen to increase its investments in held-to-maturity securities. According to new proposed liquidity requirements for banks, in order for the securities to be classified as liquid funds, they must qualify for immediate sale. New investments in covered bonds in the fourth quarter of 2011 are included in the trading portfolio and are recorded at fair value. As at 31 December 2011 DNB Markets' international bond portfolio represented NOK 114.7 billion. 91.6 per cent of the securities in the portfolio had an AAA rating, while 3.9 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 Markets' international bond portfolio is shown below.

Asset class	DNB Group	
	Per cent 31 Dec. 2011	NOK million 31 Dec. 2011
Consumer credit	1	1 040
Residential mortgages	50	58 267
Corporate loans	1	1 272
Government related	31	36 301
Covered bonds	16	18 729
Total international bond portfolio DNB Markets, nominal values	100	115 610
Accrued interest, amortisation effects and fair value adjustments		(934)
Total international bond portfolio DNB Markets		114 676
Total international bond portfolio DNB Markets, held to maturity		95 062
Of which reclassified portfolio		39 825

The average term to maturity of DNB Markets' international bond portfolio is 3.1 years, and the change in value resulting from an interest rate adjustment of one basis point was NOK 22 million at end-December 2011.

DNB Livsforsikring

DNB Livsforsikring's portfolio of held-to-maturity bonds represents bonds issued by highly creditworthy borrowers. At end-December 2011, bonds with government guarantees represented approximately 24 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 DNB Livsforsikring invest in bonds issued by traditional manufacturing companies.

In line with IAS 39, the portfolio has been reviewed to identify objective indications of impairment. No impairment losses have been identified in the portfolio.

Note 18 Investment property

Investment properties in the Group are principally owned by DNB Livsforsikring. DNB Livsforsikring's portfolio totalled NOK 37 632 million as at 31 December 2011.

Fair value

Investment properties in DNB Livsforsikring are part of the common portfolio and are owned with the intention to achieve long-term returns for policyholders. The property portfolio is recorded at fair value on the balance sheet date. Fair value is the amount for which the individual properties can be sold in an arm's length transaction between well-informed, independent parties. The Norwegian properties are valued by using an internal valuation model. As a supplement, external appraisals are obtained for a representative selection of properties in the portfolio at regular intervals throughout the year. This selection represents close to 90 per cent of the values in the portfolio. During the fourth quarter of 2011, external appraisals were obtained for a total of 19 properties, representing 38 per cent of portfolio value. The purpose of the external appraisals is to benchmark the internal valuations against independent references. Internal calculations and the values recorded in the balance sheet are within an acceptable reliability interval of plus/minus 5 per cent relative to average external appraisals. The Swedish properties in the portfolio and partially owned properties are valued based on external appraisals.

Internal valuation model

In the internal model, fair value is calculated as the present value of future cash flows during and after the contract period. The required rates of return stipulated in the model reflect market risk. For the office and shopping centre portfolios, a required rate of return of 8.5 per cent is used, while the required rate of return for the hotel portfolio is 8.75 per cent. Following an individual assessment, there was a revision of the required rates of return for some shopping centres, ranging from minus 0.3 to plus 0.5 percentage points.

With effect from 2011, the model applies the same required rate of return for cash flows both during and outside the contract period.

Developments in market and contractual rents

During 2011, total contractual rent for the wholly-owned portfolio in Norway declined by NOK 14 million to NOK 1 561 million, while the estimated market rent was down NOK 59 million to NOK 1 638 million. Adjusted for changes in the portfolio, contractual rent rose by NOK 40 million, while market rent declined by NOK 2 million.

Value development and sensitivity

The valuations resulted in a NOK 945 million revaluation of the property portfolio in 2011, of which NOK 36 million represented revaluations of ongoing projects. Costs relating to projects in DNB Livsforsikring's portfolio will normally be guaranteed through turnkey contracts, while income will generally be ensured through contracts concluded before the projects are started. The value of investment properties was adjusted upwards by NOK 225 million during the fourth quarter of 2011.

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 reduction in the required rate of return will change the value of the property portfolio by approximately 4.2 per cent or NOK 1 010 million. Correspondingly, a 5 per cent change in future market rents will change the value of the property portfolio by 4.4 per cent or NOK 1 048 million.

Vacancy and credit evaluation

At year-end 2011, economic vacancy in the portfolio was 2.9 per cent, down from 4.2 per cent a year earlier.

Tenants in DNB Livsforsikring's properties are subject to a semi-annual credit evaluation. In the fourth quarter of 2011, 89.9 per cent of the tenants were classified as good payers, up from 85.8 per cent in 2010.

Changes in the value of investment properties

	DNB Group
	Investment property
<i>Amounts in NOK million</i>	
Recorded value as at 31 December 2009	33 381
Additions, purchases of new properties	4 021
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 etc.	339
Recorded value as at 31 December 2010 ¹⁾	38 834
Additions, purchases of new properties	1 368
Additions, capitalised investments	855
Additions, acquired companies ²⁾	1 809
Net gains resulting from adjustment to fair value ³⁾	879
Net gains resulting from adjustment to fair value of projects	36
Disposals	1 026
Exchange rate movements etc.	43
Recorded value as at 31 December 2011 ¹⁾	42 796

1) The value of investment properties in DNB Livsforsikring was NOK 37 632 million as at 31 December 2011 and NOK 35 961 million as at 31 December 2010.

2) See note 3 Changes in group structure for information about acquired companies.

3) Of which NOK 32 represented a negative value adjustment of investment properties which are not owned by DNB Livsforsikring. There were no such value adjustments in 2010.

Note 19 Intangible assets

Amounts in NOK million	DNB Group	
	31 Dec. 2011	31 Dec. 2010
Goodwill ¹⁾	5 174	5 378
IT systems development ²⁾	1 511	1 416
Other intangible assets	319	370
Total intangible assets	7 003	7 164

- 1) In consequence of lower growth prospects in the Polish market, it was decided to record impairment losses for the remaining goodwill totalling NOK 190 million in the fourth quarter of 2011. There was no need for recording impairment losses for goodwill for other units in the fourth quarter of 2011.
- 2) New IT solutions are being developed for the operations in Lithuania, and there are plans to take the solutions into use in the other units in the Baltics and Poland at a later date. The recorded value of the IT solutions is tested against the estimated net present value of cash flows for Lithuania. In consequence of lower growth prospects in the Lithuanian market, it was decided to write down the IT solutions by EUR 24.5 million, the equivalent of NOK 191 million, in the fourth quarter of 2011. Write-downs of NOK 22 million were recorded on Postbanken's IT systems in the second quarter of 2011 following the conversion of Postbanken's customer accounts to DNB's IT systems.

Note 20 Debt securities issued and subordinated loan capital

As an element in liquidity management, the DNB Group issues and redeems own securities.

Debt securities issued	DNB Group	
	31 Dec. 2011	31 Dec. 2010
Commercial paper issued, nominal amount	228 430	153 934
Bond debt, nominal amount ¹⁾	386 384	336 912
Adjustments	20 343	10 823
Total debt securities issued	635 157	501 668

Changes in debt securities issued	DNB Group					
	Balance sheet 31 Dec. 2011	Issued 2011	Matured/ redeemed 2011	Exchange rate movements 2011	Other adjustments 2011	Balance sheet 31 Dec. 2010
Commercial paper issued, nominal amount	228 430	228 424	153 928			153 934
Bond debt, nominal amount ¹⁾	386 384	138 989	90 353	836		336 912
Adjustments	20 343				9 520	10 823
Total debt securities issued	635 157	367 413	244 281	836	9 520	501 668

Changes in subordinated loan capital and perpetual subordinated loan capital securities	DNB Group					
	Balance sheet 31 Dec. 2011	Issued 2011	Matured/ redeemed 2011	Exchange rate movements 2011	Other adjustments 2011	Balance sheet 31 Dec. 2010
Term subordinated loan capital, nominal amount	12 859		4 486	177		17 167
Perpetual subordinated loan capital, nominal amount	4 158		2 982	135		7 005
Perpetual subordinated loan capital securities, nominal amount ²⁾	5 973		2 338	70		8 241
Adjustments	1 174				108	1 065
Total subordinated loan capital and perpetual subordinated loan capital securities	24 163	0	9 806	382	108	33 479

- 1) Minus own bonds. Outstanding covered bonds in DNB Boligkreditt totalled NOK 351.3 billion as at 31 December 2011. The cover pool represented NOK 458.7 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 21 Capital adequacy

The DNB 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 Bank ASA		DNB Bank Group		DNB Group	
	31 Dec. 2011	31 Dec. 2010	31 Dec. 2011	31 Dec. 2010	31 Dec. 2011	31 Dec. 2010
<i>Amounts in NOK million</i>						
Share capital	18 314	17 514	18 314	17 514	16 260	16 232
Other equity	79 328	61 582	85 990	72 344	101 555	94 964
Total equity	97 643	79 096	104 304	89 859	117 815	111 196
Deductions						
Pension funds above pension commitments	0	0	(22)	(16)	(126)	(119)
Goodwill	(2 419)	(2 419)	(3 834)	(3 472)	(5 741)	(5 378)
Deferred tax assets	(3)	(481)	(644)	(324)	(651)	(977)
Other intangible assets	(1 130)	(1 159)	(2 028)	(1 963)	(2 270)	(2 219)
Dividends payable etc.	0	0	0	(6 000)	(3 258)	(6 515)
Unrealised gains on fixed assets	0	0	(30)	(30)	(30)	(30)
50 per cent of investments in other financial institutions	(1 022)	(1 024)	(1 022)	(1 024)	0	0
50 per cent of expected losses exceeding actual losses, IRB portfolios	(648)	(515)	(835)	(666)	(835)	(666)
Adjustments for unrealised losses/(gains) on liabilities recorded at fair value	(24)	94	(713)	(346)	(713)	(346)
Equity Tier 1 capital	92 396	73 592	95 177	76 018	104 191	94 946
Perpetual subordinated loan capital securities ^{1) 2)}	5 973	8 241	6 159	8 423	6 159	8 423
Tier 1 capital	98 370	81 833	101 336	84 441	110 350	103 368
Perpetual subordinated loan capital	4 153	7 004	4 153	7 004	4 153	7 004
Term subordinated loan capital ²⁾	12 773	17 085	13 230	17 775	13 230	17 775
Deductions						
50 per cent of investments in other financial institutions	(1 022)	(1 024)	(1 022)	(1 024)	0	0
50 per cent of expected losses exceeding actual losses, IRB portfolios	(648)	(515)	(835)	(666)	(835)	(666)
Additions						
45 per cent of unrealised gains on fixed assets	0	0	18	18	18	18
Tier 2 capital	15 256	22 549	15 544	23 108	16 566	24 132
Total eligible primary capital ³⁾	113 625	104 382	116 879	107 548	126 916	127 500
Risk-weighted volume	874 786	738 194	1 018 586	918 659	1 111 574	1 028 404
Minimum capital requirement	69 983	59 056	81 487	73 493	88 926	82 272
Equity Tier 1 capital ratio (%)	10.6	10.0	9.3	8.3	9.4	9.2
Tier 1 capital ratio (%)	11.2	11.1	9.9	9.2	9.9	10.1
Capital ratio (%)	13.0	14.1	11.5	11.7	11.4	12.4

1) Perpetual subordinated loan capital securities can represent up to 15 per cent of Tier 1 capital. The excess will qualify as Tier 2 capital.

2) As at 31 December 2011, calculations of capital adequacy for the banking group and DNB Group included a total of NOK 557 million in subordinated loan capital in associated companies.

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.

Note 21 Capital adequacy (continued)

Specification of risk-weighted volume and capital requirements	Nominal exposure 31 Dec. 2011	EAD ¹⁾ 31 Dec. 2011	Risk-weighted volume 31 Dec. 2011	DNB Group	
				Capital requirements 31 Dec. 2011	Capital requirements 31 Dec. 2010
<i>Amounts in NOK million</i>					
IRB approach					
Corporate	925 029	692 684	380 666	30 453	25 103
Specialised Lending (SL)	7 566	7 507	3 580	286	117
Retail - mortgage loans	538 910	538 908	68 932	5 515	4 533
Retail - other exposures	90 589	74 489	23 641	1 891	1 778
Securitisation	95 062	95 062	9 402	752	735
Total credit risk, IRB approach	1 657 157	1 408 651	486 222	38 898	32 266
Standardised approach					
Central government	93 841	110 044	130	10	146
Institutions	130 538	108 889	24 026	1 922	1 783
Corporate	388 297	289 997	278 473	22 278	19 607
Specialised Lending (SL)	0	0	0	0	476
Retail - mortgage loans	47 575	45 614	20 921	1 674	1 294
Retail - other exposures	85 324	46 589	35 709	2 857	2 474
Equity positions	3 501	3 501	3 602	288	372
Securitisation	9 349	9 349	1 794	143	117
Other assets	11 266	11 266	11 266	901	688
Total credit risk, standardised approach	769 690	625 249	375 920	30 074	26 957
Total credit risk	2 426 846	2 033 900	862 142	68 971	59 224
Market risk					
Position risk, equity instruments			1 183	95	37
Position risk, debt instruments			35 412	2 833	2 429
Currency risk			0	0	0
Total market risk			36 596	2 928	2 466
Operational risk			67 320	5 386	4 956
Net insurance, after eliminations			96 345	7 708	9 008
Deductions			(629)	(50)	(39)
Total risk-weighted volume and capital requirements before transitional rule			1 061 772	84 942	75 614
Additional capital requirements according to transitional rules ²⁾			49 802	3 984	6 658
Total risk-weighted volume and capital requirements			1 111 574	88 926	82 272

1) EAD, exposure at default.

2) Due to transitional rules, the minimum capital adequacy requirements for 2010 and 2011 cannot be reduced below 80 per cent relative to the Basel I requirements.

Note 21 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. Status and a time schedule for the implementation of the different reporting methods used for the Group's portfolios are shown below.

Portfolios	Reporting methods for credit risk in capital adequacy calculations	
	31 Dec. 2011	31 Dec. 2012
Retail:		
- mortgage loans, DNB Bank and DNB Boligkreditt	IRB ¹⁾	IRB ¹⁾
- qualifying revolving retail exposures, DNB Bank ²⁾	IRB ¹⁾	IRB ¹⁾
- mortgage loans, Nordlandsbanken	Standardised	IRB ¹⁾
- loans in Norway, DNB Finans, DNB Bank	IRB ¹⁾	IRB ¹⁾
Corporates:		
- small and medium-sized corporates, DNB Bank	Advanced IRB	Advanced IRB
- large corporate clients (scorecard models), DNB Bank	Advanced IRB	Advanced IRB
- large corporate clients (simulation models), DNB Bank	Standardised	Advanced IRB
- corporate clients, Nordlandsbanken	Standardised	Advanced IRB
- leasing, DNB Bank	Advanced IRB	Advanced IRB
- corporate clients, DNB Næringskreditt	Standardised	Advanced IRB
Securitisation positions:		
- DNB Markets' international bond portfolio	IRB ¹⁾	IRB ¹⁾
Institutions:		
- banks and financial institutions, DNB Bank	Standardised	Advanced IRB
Exceptions:		
- approved exceptions: government and municipalities, equity positions	Standardised	Standardised
- temporary exceptions: DNB Baltics and Poland, DNB Luxembourg, DnB NOR Monchebank and various other small portfolios	Standardised	Standardised

1) There is only one IRB approach for retail exposures and securitisation positions.

2) Reported according to the IRB category Retail - other exposures.

Note 22 Liquidity risk

Liquidity risk is the risk that the DNB Group will be unable to meet its payment obligations. Liquidity management in the DNB Group is organised whereby DNB Bank ASA is responsible for funding subsidiaries such as Nordlandsbanken, as well as international branches and subsidiaries. Liquidity risk is managed and measured by means of various measurement techniques.

The Board of Directors has approved internal limits which restrict the short-term maturity of liabilities during various time periods. The various maturities are subject to stress testing based on a bank-specific crisis and a systemic crisis, and a contingency plan has been established to handle market events. 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. Covered bonds play a key role in the funding of the Group. The Group's ratio of deposits to lending was 57.8 per cent at year-end 2011, up from 54.8 per cent a year earlier. The ratio of deposits to lending in DNB Bank ASA was 98.9 per cent at end-December 2011.

Throughout 2011, the short-term funding markets were generally sound for banks with good credit ratings, though there was greater focus on short maturities. Due to the uncertainty concerning European sovereign debt, the level of funding activity was reduced towards the end of the year. However, its good rating in an international context strengthened the bank's position.

Financially strong banks generally had good access to long-term funding during the first half of the year. At times, however, uncertainty regarding European sovereign debt had pronounced effects on price levels, and few transactions were completed in the market in the second half of the year. The DNB Group completed most of its annual long-term funding activities during the first half of the year, and the need for long-term funding was adequately met for the year as a whole. The market situation has improved thus far in 2012, and a number of large transactions were completed during the first weeks of the year. The average remaining term to maturity for the portfolio of senior bond debt was 4.5 years at end-December 2011, compared with 3.6 years a year earlier. The DNB Group aims to achieve a sound and stable maturity structure for funding over the next five years.

Note 23 Information on related parties

Major transactions and agreements with related parties:

Eksportfinans

DNB 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 Bank ASA's share of the agreement corresponded to 40 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 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, June 2010 and June 2011. The renewal in 2010 resulted in a reduction in the limit for the liquidity reserve to USD 2 billion. DNB Bank ASA's share of this agreement represents approximately USD 1.1 billion. Eksportfinans has 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.

The bank has purchased bonds from DNB 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 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 2011, this funding represented NOK 65.9 billion. At end-December 2011, the bank's investments in Treasury bills used in the swap agreements represented NOK 50.6 billion.

Note 24 Off-balance sheet transactions, contingencies and post-balance sheet events

Off-balance sheet transactions and additional information	DNB Group	
	31 Dec. 2011	31 Dec. 2010
<i>Amounts in NOK million</i>		
Performance guarantees	47 530	36 323
Payment guarantees	23 439	22 111
Loan guarantees ¹⁾	17 666	9 690
Guarantee to the Norwegian Banks' Guarantee Fund	0	498
Guarantees for taxes etc.	5 645	4 547
Other guarantee commitments	2 285	3 052
Total guarantee commitments	96 565	76 221
Support agreements	10 237	7 695
Total guarantee commitments etc. ²⁾	106 802	83 916
Unutilised credit lines and loan offers	519 143	412 653
Documentary credit commitments	2 594	3 196
Other commitments	1 381	1 947
Total commitments	523 118	417 796
Total guarantee and off-balance commitments	629 920	501 712
Securities	110 635	169 664
- are pledged as security for: Loans ²⁾	110 510	169 539
Other activities	124	125

**) Of which counter-guaranteed by financial institutions* 19 15

1) DNB Bank carries loans in its balance sheet that subject to legal agreement have been transferred to Eksportfinans and for which the bank has issued guarantees. According to the agreement, DNB Bank still carries interest rate risk and credit risk for the transferred portfolio. Customer loans in the portfolio totalling NOK 10 632 million were recorded in the balance sheet as at 31 December 2011. These loans are not included under guarantees in the table.

2) As at 31 December 2011, NOK 44 999 million in securities was 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.

Contingencies

Due to its extensive operations in Norway and abroad, the DNB 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.

DNB 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). A settlement has been reached in the case, but it remains for the court of law to approve the settlement. The effects of the settlement are fully reflected in the accounts.

Ivar Petter Røeggen has instituted legal proceedings against DNB Bank ASA, claiming that two investment agreements for structured products be declared null and void. The Borgarting Court of Appeal found in favour of the bank on 30 September 2011. The disputed amount only applies to the civil action in question, which must be evaluated as a separate case. The judgment has been appealed to the Supreme Court.

In addition to the civil action brought by Ivar Petter Røeggen, a group action against DNB 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. Several of the plaintiffs from the original multi-party action, together with some of the other plaintiffs, have submitted a civil action against DNB Bank ASA in accordance with the rules on joinder of parties. The action has been halted by the Oslo District Court awaiting a final decision in the civil action from Røeggen. Other units in the Group are also involved in legal disputes relating to structured products. The DNB Group contests the claims.

DNB 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 854 million plus interest on overdue payments.

Post-balance sheet events

No information has come to light about important circumstances which had occurred on the balance sheet date on 31 December 2011 and up till the Board of Directors' final consideration of the accounts on 8 February 2012.

DNB ASA

Income statement

<i>Amounts in NOK million</i>	DNB ASA			
	4th quarter 2011	4th quarter 2010	Full year 2011	Full year 2010
Total interest income	110	122	474	471
Total interest expenses	102	105	385	396
Net interest income	8	17	90	74
Commissions and fees payable etc.	2	1	6	6
Other income ¹⁾	183	9 533	183	9 533
Net other operating income	181	9 532	177	9 527
Total income	190	9 549	267	9 602
Salaries and other personnel expenses	2	2	6	6
Other expenses	60	54	243	213
Total operating expenses	61	56	249	219
Pre-tax operating profit	128	9 493	18	9 383
Taxes	36	2 322	5	2 292
Profit for the period	92	7 171	13	7 092
Earnings/diluted earnings per share (NOK)	0.06	4.40	0.01	4.35
Earnings per share excluding operations held for sale (NOK)	0.06	4.40	0.01	4.35

1) Dividends from group companies/group contributions.

Balance sheet

<i>Amounts in NOK million</i>	DNB ASA	
	31 Dec. 2011	31 Dec. 2010
Assets		
Deposits with DNB Bank ASA	7 356	25 981
Lending to other group companies	225	225
Investments in group companies	62 216	51 216
Receivables due from group companies	183	4 833
Total assets	69 981	82 255
Liabilities and equity		
Loans from and outstandings to DNB Bank ASA	10 477	10 240
Outstandings to other group companies	0	5 171
Other liabilities and provisions	3 263	7 360
Paid-in capital	38 844	38 844
Retained earnings	17 395	20 640
Total liabilities and equity	69 981	82 255

Statement of changes in equity

<i>Amounts in NOK million</i>	DNB ASA			
	Share capital	Share premium reserve	Other equity	Total equity
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)			(6 515)	(6 515)
Balance sheet as at 31 December 2010	16 288	22 556	20 640	59 484
Profit for the period			13	13
Dividends for 2011 (NOK 2.00 per share ¹⁾)			(3 258)	(3 258)
Balance sheet as at 31 December 2011	16 288	22 556	17 395	56 240

1) Proposed dividend.

Accounting principles

DNB 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 ASA in preparing the accounts is found in the annual report for 2010.

Key figures

	DNB Group			
	4th quarter 2011	4th quarter 2010	Full year 2011	Full year 2010
Interest rate analysis				
1. Combined weighted total average spread for lending and deposits (%)	1.14	1.17	1.12	1.15
2. Average spread for ordinary lending to customers (%)	1.64	1.67	1.59	1.61
3. Average spread for deposits from customers (%)	0.28	0.27	0.30	0.32
Rate of return/profitability				
4. Net other operating income, per cent of total income	45.2	42.5	39.9	40.8
5. Cost/income ratio (%)	42.0	43.1	47.1	47.6
6. Return on equity, annualised (%)	13.8	19.6	11.4	13.6
7. RARORAC, annualised (%)	16.2	27.8	14.3	19.0
8. RORAC, annualised (%)	23.3	48.2	19.1	25.2
9. Average equity including allocated dividend (NOK million)	117 766	107 173	113 934	103 292
10. Return on average risk-weighted volume, annualised (%)	1.50	2.00	1.22	1.17
Financial strength				
11. Equity Tier 1 capital ratio at end of period (%)	9.4	9.2	9.4	9.2
12. Tier 1 capital ratio at end of period (%)	9.9	10.1	9.9	10.1
13. Capital ratio at end of period (%)	11.4	12.4	11.4	12.4
14. Tier 1 capital at end of period (NOK million)	110 350	103 368	110 350	103 368
15. Risk-weighted volume at end of period (NOK million)	1 111 574	1 028 404	1 111 574	1 028 404
Loan portfolio and write-downs				
16. Individual write-downs relative to average net lending to customers, annualised	0.32	0.33	0.27	0.36
17. Write-downs relative to average net lending to customers, annualised	0.29	0.18	0.28	0.26
18. Net non-performing and net doubtful commitments, per cent of net lending	1.50	1.55	1.50	1.55
19. Net non-performing and net doubtful commitments at end of period (NOK million)	19 465	18 409	19 465	18 409
Liquidity				
20. Ratio of customer deposits to net lending to customers at end of period (%)	57.8	54.8	57.8	54.8
Total assets owned or managed by DNB				
21. Customer assets under management at end of period (NOK billion)	500	509	500	509
22. Total combined assets at end of period (NOK billion)	2 389	2 141	2 389	2 141
23. Average total assets (NOK billion)	2 196	1 995	2 148	1 970
24. Customer savings at end of period (NOK billion)	1 240	1 151	1 240	1 151
Staff				
25. Number of full-time positions at end of period	13 620	13 021	13 620	13 021
The DNB share				
26. Number of shares at end of period (1 000)	1 628 799	1 628 799	1 628 799	1 628 799
27. Average number of shares (1 000)	1 628 799	1 628 799	1 628 799	1 628 799
28. Earnings per share (NOK)	2.51	3.25	7.98	8.66
29. Earnings per share excluding operations held for sale (NOK)	2.51	3.22	7.99	8.62
30. Dividend per share (NOK) ¹⁾	-	-	2.00	4.00
31. Total shareholders' return (%)	(1.4)	2.3	(25.2)	33.9
32. Dividend yield (%)	-	-	3.42	4.88
33. Equity per share including allocated dividend at end of period (NOK)	72.33	68.27	72.33	68.27
34. Share price at end of period (NOK)	58.55	81.90	58.55	81.90
35. Price/earnings ratio	5.82	6.36	7.33	9.50
36. Price/book value	0.81	1.20	0.81	1.20
37. Market capitalisation (NOK billion)	95.4	133.4	95.4	133.4

1) Proposed dividend for 2011.

For definitions of selected key figures, see next page.

Key figures (continued)

Definitions

- 1, 2, 3 Based on nominal values excluding 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 excludes a gain resulting from the merger between the payment services company Nordito and the Danish PBS Holding in the second quarter of 2010.
- 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 "Capital management and risk categories" in the DNB Group's annual report for 2010.
- 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 difference between recorded interest on average equity and interest on risk-adjusted capital.
- 10 Profit for the period relative to average risk-weighted volume.
- 21 Total assets under management for customers in Insurance and Asset Management.
- 22 Total assets and customer assets under management.
- 24 Total deposits from customers, assets under management and equity-linked bonds.
- 26 The Annual General Meeting on 28 April 2011 authorised the Board of Directors of DNB ASA to acquire own shares for a total face value of up to NOK 732 959 487, corresponding to 4.5 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 28 April 2011. Acquired shares shall be redeemed in accordance with regulations on the reduction of capital. An agreement has been signed with Norwegian Government/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.
- 28 Excluding profits attributable to minority interests. Holdings of own shares are not included in calculations of earnings per share.
- 29 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.
- 31 Closing price at end of period less closing price at beginning of period, including dividends reinvested in DNB shares on the dividend payment date, relative to closing price at beginning of period.
- 33 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 Group				
<i>Amounts in NOK million</i>	4th quarter 2011	3rd quarter 2011	2nd quarter 2011	1st quarter 2011	4th quarter 2010
Total interest income	16 976	16 291	15 150	14 902	15 168
Total interest expenses	10 184	9 897	9 102	8 884	9 015
Net interest income	6 792	6 394	6 048	6 018	6 153
Commissions and fees receivable etc.	2 087	2 368	2 366	2 314	2 420
Commissions and fees payable etc.	592	580	553	532	511
Net gains on financial instruments at fair value	3 397	2 250	1 351	662	1 684
Net gains on assets in DNB Livsforsikring	4 269	(5 266)	3 349	3 481	6 404
Guaranteed returns and allocations to policyholders in DNB Livsforsikring	4 124	(4 208)	2 884	2 972	5 879
Premium income etc. included in the risk result in DNB Livsforsikring	1 291	1 213	1 211	1 226	1 242
Insurance claims etc. included in the risk result in DNB Livsforsikring	1 247	1 017	1 355	1 234	1 248
Premium income, DNB Skadeforsikring	288	292	218	295	273
Insurance claims etc., DNB Skadeforsikring	225	218	164	242	249
Profit from companies accounted for by the equity method	111	(79)	(28)	72	72
Net gains on investment property	(132)	93	(1)	9	0
Other income	474	439	474	388	343
Net other operating income	5 599	3 703	3 984	3 467	4 553
Total income	12 392	10 097	10 032	9 485	10 706
Salaries and other personnel expenses	2 618	2 603	2 614	2 444	2 438
Other expenses	2 098	1 819	1 874	1 930	1 685
Depreciation and write-downs of fixed and intangible assets	870	439	444	419	487
Total operating expenses	5 586	4 862	4 931	4 793	4 610
Net gains on fixed and intangible assets	(1)	6	9	5	26
Write-downs on loans and guarantees	926	1 170	457	892	529
Pre-tax operating profit	5 878	4 072	4 652	3 805	5 593
Taxes	1 790	1 604	1 116	913	367
Profit from operations held for sale, after taxes	0	25	11	(41)	57
Profit for the period	4 089	2 493	3 546	2 851	5 284
Earnings/diluted earnings per share (NOK)	2.51	1.53	2.18	1.76	3.25

Profit and balance sheet trends (continued)

Balance sheet	DNB Group				
	31 Dec. 2011	30 Sept. 2011	30 June 2011	31 March 2011	31 Dec. 2010
<i>Amounts in NOK million</i>					
Assets					
Cash and deposits with central banks	224 581	276 593	15 828	242 242	16 198
Lending to and deposits with credit institutions	28 754	56 432	41 096	72 781	47 792
Lending to customers	1 279 259	1 247 477	1 201 961	1 173 213	1 170 341
Commercial paper and bonds	177 980	157 164	187 293	195 390	204 204
Shareholdings	53 012	72 069	79 154	75 602	75 179
Financial assets, customers bearing the risk	23 776	22 712	23 689	23 875	23 506
Financial derivatives	96 693	110 664	67 627	71 282	78 156
Commercial paper and bonds, held to maturity	166 965	165 849	165 706	173 167	179 461
Investment property	42 796	42 802	41 134	38 997	38 834
Investments in associated companies	2 189	2 050	2 157	2 346	2 307
Intangible assets	7 003	7 151	7 071	7 174	7 164
Deferred tax assets	643	505	173	1 262	915
Fixed assets	6 336	6 010	5 968	5 842	5 793
Assets held for sale	1 054	1 206	1 172	1 326	1 271
Other assets	15 055	14 417	13 818	12 571	10 499
Total assets	2 126 098	2 183 100	1 853 848	2 097 070	1 861 620
Liabilities and equity					
Loans and deposits from credit institutions	279 553	356 347	207 494	384 704	257 931
Deposits from customers	740 036	752 660	647 880	678 402	641 914
Financial derivatives	64 365	75 908	51 018	59 165	60 871
Debt securities issued	635 157	596 266	538 314	566 214	501 668
Insurance liabilities, customers bearing the risk	23 776	22 712	23 689	23 875	23 506
Liabilities to life insurance policyholders in DNB Livsforsikring	212 271	209 889	213 390	212 773	205 550
Insurance liabilities, DNB Skadeforsikring	1 589	1 644	1 445	900	1 091
Payable taxes	634	3 729	2 092	4 577	4 865
Deferred taxes	4 897	205	219	185	116
Other liabilities	17 550	19 188	25 315	17 437	14 738
Liabilities held for sale	383	360	331	350	387
Provisions	787	560	560	586	946
Pension commitments	3 123	3 360	3 369	3 365	3 361
Subordinated loan capital	24 163	26 495	27 702	30 503	33 479
Total liabilities	2 008 284	2 069 325	1 742 819	1 983 037	1 750 424
Share capital	16 260	16 273	16 253	16 251	16 232
Share premium reserve	22 609	22 609	22 609	22 609	22 609
Other equity	78 946	74 894	72 167	75 173	72 356
Total equity	117 815	113 776	111 028	114 033	111 196
Total liabilities and equity	2 126 098	2 183 100	1 853 848	2 097 070	1 861 620

Information about the DNB Group

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Organisation number Register of Business Enterprises NO 981 276 957 MVA

Board of Directors in DNB ASA

Anne Carine Tanum, chairman
Bjørn Sund, vice-chairman
Jarle Berge
Bente Brevik
Sverre Finstad
Carl A. Løvvik
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 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
Trond Bentestuen Group executive vice president, Marketing, Communications and eBusiness
Kari Olrud Moen Group executive vice president, Corporate Centre

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Financial calendar 2012

Preliminary results 2011 and fourth quarter 2011	9 February
Annual General Meeting	25 April
Ex-dividend date	26 April
Distribution of dividends	as of 7 May
First quarter 2012	27 April
Second quarter 2012	12 July
Third quarter 2012	25 October

Other sources of information

Annual and quarterly reports

Separate annual and quarterly reports are prepared for the DNB Bank Group, DNB Boligkreditt and DNB Livsforsikring. The reports and supplementary information for investors and analysts are available on dnb.no.

Annual and quarterly reports can be ordered by sending an e-mail to investor.relations@dnb.no.

*The quarterly report has been produced by Group Financial Reporting in DNB.
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