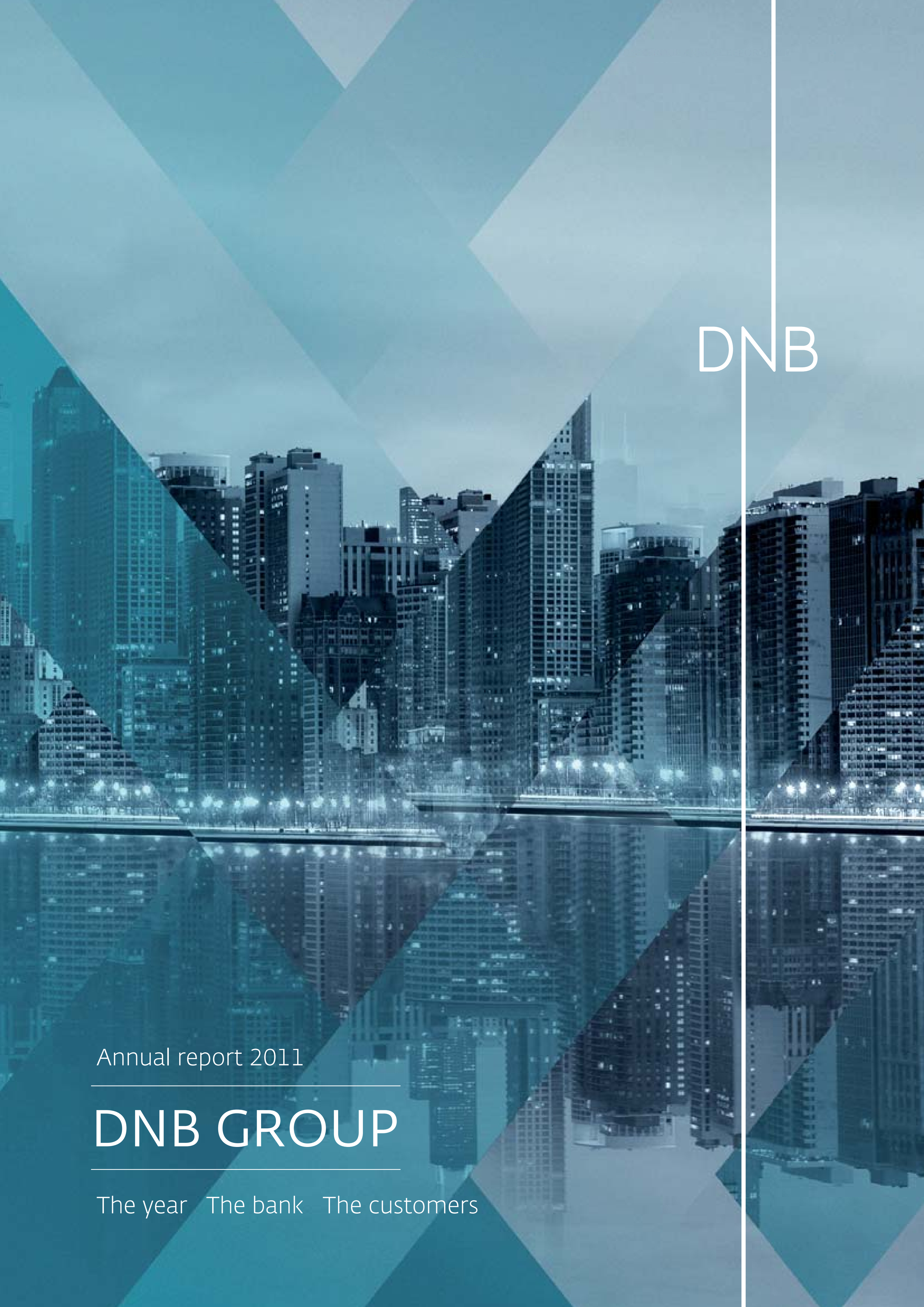

Annual report 2011

DNB GROUP

The year The bank The customers

IMPORTANT EVENTS IN 2011

1ST QUARTER

- DNB launched its 24/7 customer service telephone
- DNB was the main sponsor of the World Ski Championships in Oslo

2ND QUARTER

- Postbanken's IT system was decommissioned, and customers were transferred to DNB's systems
- Ownership of the banks in Lithuania and Latvia was transferred from Bank DnB NORD in Denmark to DNB Bank in Oslo
- DNB presented new financial targets at the Capital Markets Day in Oslo

3RD QUARTER

- In the financial markets, there was a great deal of uncertainty surrounding the debt-servicing ability of certain EU countries
- DNB was ranked best among the large Norwegian banks in Synovate's corporate reputation survey, and its customer satisfaction score in the EPSI study increased from 64 to 69
- At short notice, DNB vacated one of its buildings in the centre of Oslo and placed it at the disposal of the Norwegian ministries following the terrorist attack on 22 July
- DNB opened a new representative office in Aberdeen in Scotland

4TH QUARTER

- The regulatory framework for the capitalisation of financial institutions was tightened both in Norway and internationally, partly in consequence of the financial market turmoil
- The Group changed its name from DnB NOR to DNB
- DNB launched BSU 2.0, thus increasing the maximum savings amount in the home savings scheme for young people, offering the same terms as for the ordinary BSU scheme

FINANCIAL CALENDAR 2012

Annual accounts 2011 (preliminary figures) and fourth quarter 2011	9 February
Annual general meeting	25 April
First quarter	27 April
Distribution of dividends	as of 7 May
Second quarter	12 July
Capital Markets Day in London	6 September
Third quarter	25 October

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CONTENTS

The annual report is also available on DNB's website (dnb.no/about-us) along with more detailed information about DNB's operations.

The Group's annual report has been approved by the Board of Directors in the original Norwegian version. This is an English translation.

KEY FIGURES

INCOME STATEMENT

Amounts in NOK million	2011	2010	2009	2008	2007
Net interest income	25 252	23 436	22 633	21 910	17 866
Net commissions and fees, core business [1]	*7 436*	*7 293*	*7 118*	*7 175*	*7 080*
Net financial items	*9 317*	*8 863*	*7 876*	*5 262*	*6 652*
Net other operating income	16 754	16 156	14 994	12 438	13 732
Ordinary operating expenses	19 792	17 920	18 115	17 663	15 974
Other expenses	380	591	796	1 058	476
Pre-tax operating profit before write-downs	21 833	21 081	18 717	15 627	15 148
Net gains on fixed and intangible assets	19	24	26	52	2 481
Write-downs on loans and guarantees	3 445	2 997	7 710	3 509	220
Pre-tax operating profit	18 407	18 108	11 032	12 170	17 409
Taxes	5 423	4 121	4 086	3 252	2 387
Profit from operations held for sale, after taxes	(5)	75	80	0	0
PROFIT FOR THE YEAR	12 979	14 062	7 026	8 918	15 022
Profit attributable to shareholders	12 979	14 814	8 585	9 211	14 780
Profit attributable to minority interests	0	(752)	(1 559)	(293)	242

BALANCE SHEET

Amounts in NOK million	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007
Total assets	2 126 098	1 861 620	1 823 453	1 831 699	1 473 919
Lending to customers	1 279 259	1 170 341	1 114 886	1 191 635	970 504
Deposits from customers	740 036	641 914	590 745	597 242	538 151
Total equity	117 815	111 196	101 403	81 275	75 976
Average total assets for the year	2 147 853	1 969 557	1 905 708	1 635 113	1 411 576
Total combined assets at year-end	2 388 588	2 140 868	2 075 824	2 140 928	1 834 006

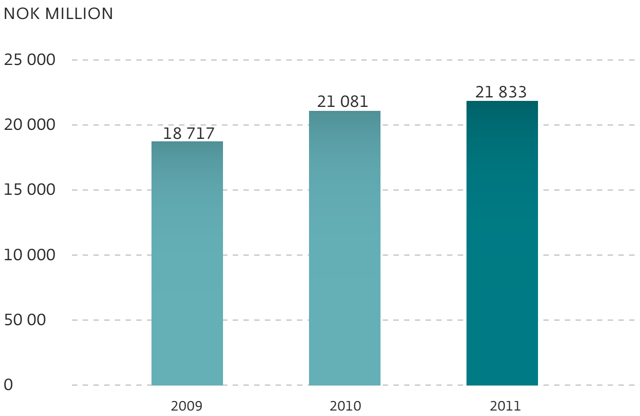
KEY FIGURES [2]

	2011	2010	2009	2008	2007
Combined weighted total average spread for lending and deposits (per cent)	1.12	1.15	1.15	1.04	1.00
Cost/income ratio (per cent)	47.1	47.6	48.1	51.4	50.6
Write-downs relative to average net lending to customers	0.28	0.26	0.67	0.33	0.02
Return on equity (per cent)	11.4	13.6	10.6	12.4	22.0
Earnings per share (NOK)	7.98	8.66	6.43	6.91	11.08
Dividend per share (NOK) [3]	2.00	4.00	1.75	0.00	4.50
Common equity Tier 1 capital ratio at end of period (per cent)	9.4	9.2	8.5	5.8	6.3
Tier 1 capital ratio at end of period (per cent)	9.9	10.1	9.3	6.7	7.2
Capital ratio at end of period (per cent)	11.4	12.4	12.1	9.5	9.6
Share price at end of period (NOK)	58.55	81.90	62.75	27.00	83.00
Price/book value	0.81	1.20	1.04	0.47	1.51

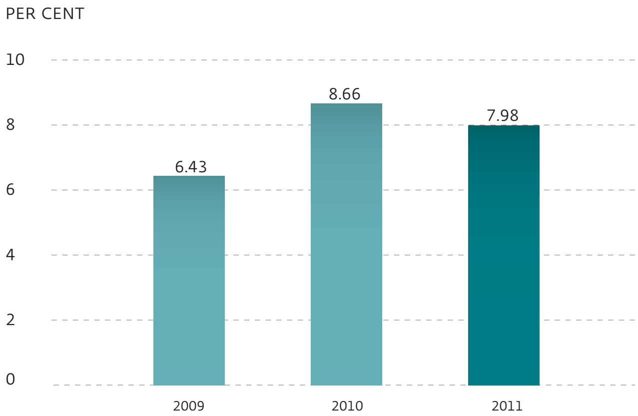
1) Includes commissions and fees related to money transfers and interbank transactions, asset management services, credit broking, real estate broking, custodial services and securities trading as well as the sale of insurance products and other income from banking services.
2) For a more detailed table of key figures, see page 150.
3) Proposed dividend for 2011.

FINANCIAL PERFORMANCE 2011

PRE-TAX OPERATING PROFIT BEFORE WRITE-DOWNS



EARNINGS PER SHARE



TOTAL ANNUAL RETURN AS AT 31 DECEMBER 2011

Total annual return (%)	Last year	Last two years	Last three years
DNB	(23.6)	1.2	35.9
Nordic average [1)]	(22.6)	(4.4)	17.5

1) Unweighted average in local currency of Danske Bank, Swedbank, Nordea, SEB and Handelsbanken.

DIVIDEND FOR THE FINANCIAL YEAR

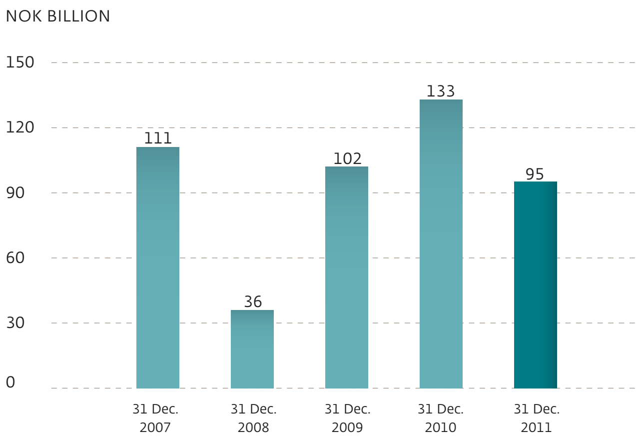
2011 (proposal)	NOK 2.00
2010	NOK 4.00
2009	NOK 1.75
2008	NOK 0.00
2007	NOK 4.50

SHARE PRICE DEVELOPMENT IN 2011
DNB COMPARED WITH NORDIC FINANCIAL SERVICES GROUPS [1)]

LOCAL CURRENCY. 31 DEC. 2010 = 100

1) Unweighted average in local currency of Danske Bank, Swedbank, Nordea, SEB and Handelsbanken.

THE DNB GROUP'S MARKET CAPITALISATION



GROUP CHIEF EXECUTIVE'S STATEMENT

2011 was a year of solid profits for DNB, with sound performance in our largest business areas. Both capital adequacy and the ratio of deposits to lending were strengthened throughout the year.

We achieved positive financial results while improving our customer satisfaction levels and corporate reputation. Significant progress was accomplished due to strong activity levels across the entire organisation and our ambition to become even better at fulfilling our vision: "creating value through the art of serving the customer".

High activity levels, together with active employee involvement and commitment will become increasingly important, and there is little doubt that we have challenging times ahead. Two external factors made an impact on our operations last year and they will continue to affect us in 2012. The first is the change in market conditions. Until June 2011, growth and optimism prevailed. It seemed that the world was steadily steering its way out of the last financial crisis. We presented ambitious growth targets for the period towards 2015 at our Capital Markets Day last June, and these were well received by the markets.

In July, the mood of the markets changed abruptly and uncertainty rose during the autumn, as the crisis worsened in Europe. At the end of 2011 and at the start of 2012, there were some positive signs in both the US and Europe, which gave grounds for cautious optimism for the future. DNB is a Norwegian bank with international activity, primarily through typically "Norwegian" industries. Consequently, we are more dependent on global growth than on growth in Europe. DNB is not unaffected by the euro crisis, but provided that the crisis is not strong enough to stifle growth in the world economy, Norway and DNB will continue to do well.

The second external factor influencing the future prospects and growth ambitions for the entire banking sector is new regulations and stricter capital adequacy requirements. In the wake of the stress test introduced by the European Banking Authority, EBA, the new requirement was that European banks were to have at least 9 per cent common equity Tier 1 capital by July 2012. In the period ahead, top of every banker's agenda will be adapting to the new requirements.

It is DNB's ambition to adapt to the new long-term capital adequacy requirements considerably earlier than stipulated by Basel III and CRD IV. Already, at the start of 2012, DNB complied with the new EBA requirements of at least 9 per cent Tier 1 capital. We agree with the authorities that Norwegian financial institutions must be robust. However, in order to achieve healthy competition in the best interest of our customers, the requirements must be as equal as possible across the Nordic region. Today, the capital adequacy of banks is not comparable across national borders.

In spite of tougher market conditions and new regulations, 2011 was a year with several highlights. On 11 November 2011, DnB NOR, Vital, Postbanken and DnB NORD were rebranded under one name: DNB. This is the most important milestone on the road to becoming a stronger and more integrated organisation. We are uniting our forces to become an even better bank for our customers, who have already enjoyed positive effects from the merger. Former DnB NOR customers have gained access to banking services at all post offices in Norway, while former Postbanken customers now have access to more branch offices and a wider range of products. One single brand also means more streamlined operations and lower costs.

Throughout the year, we launched a number of new products and services. In particular, I would like to emphasise the initiatives targeting our young adult customers. BLU (home loans for young adults under the age of 34) was followed by a campaign for better terms and conditions for BSU (the home savings scheme for young people in Norway). The campaign attracted a lot of attention and we received a great deal of support from our customers, competitors and from politicians. However, our suggestion to double the BSU savings limit in the National Budget did not receive support from the Norwegian government. Nevertheless, DNB launched BSU 2.0 where young adults under the age of 34 can save twice as much as before at the same good interest rate.

"DNB is among the most solid banks in Europe, and we are consequently well equipped to support our customers through turbulent times."

DNB continued to make strong progress in the corporate reputation rankings in 2011. We can now say that we are a well-liked bank. The turnaround operation was successful due to the fantastic efforts over the past few years from the entire organisation. Customer satisfaction among large corporates, both in Norway and internationally, was further strengthened from a very good level in 2010. In 2011, DNB was ranked as the best financial institution in a survey of the 200 largest companies in Norway.

With more than 80 per cent of income from our domestic market, there is little doubt that success in Norway plays a vital role for DNB. After seven years with declining market share, it now seems that we have finally succeeded in reversing the trend. Our initiatives in the four largest cities in Norway are starting to yield results and DNB has clear ambitions to continue to grow in

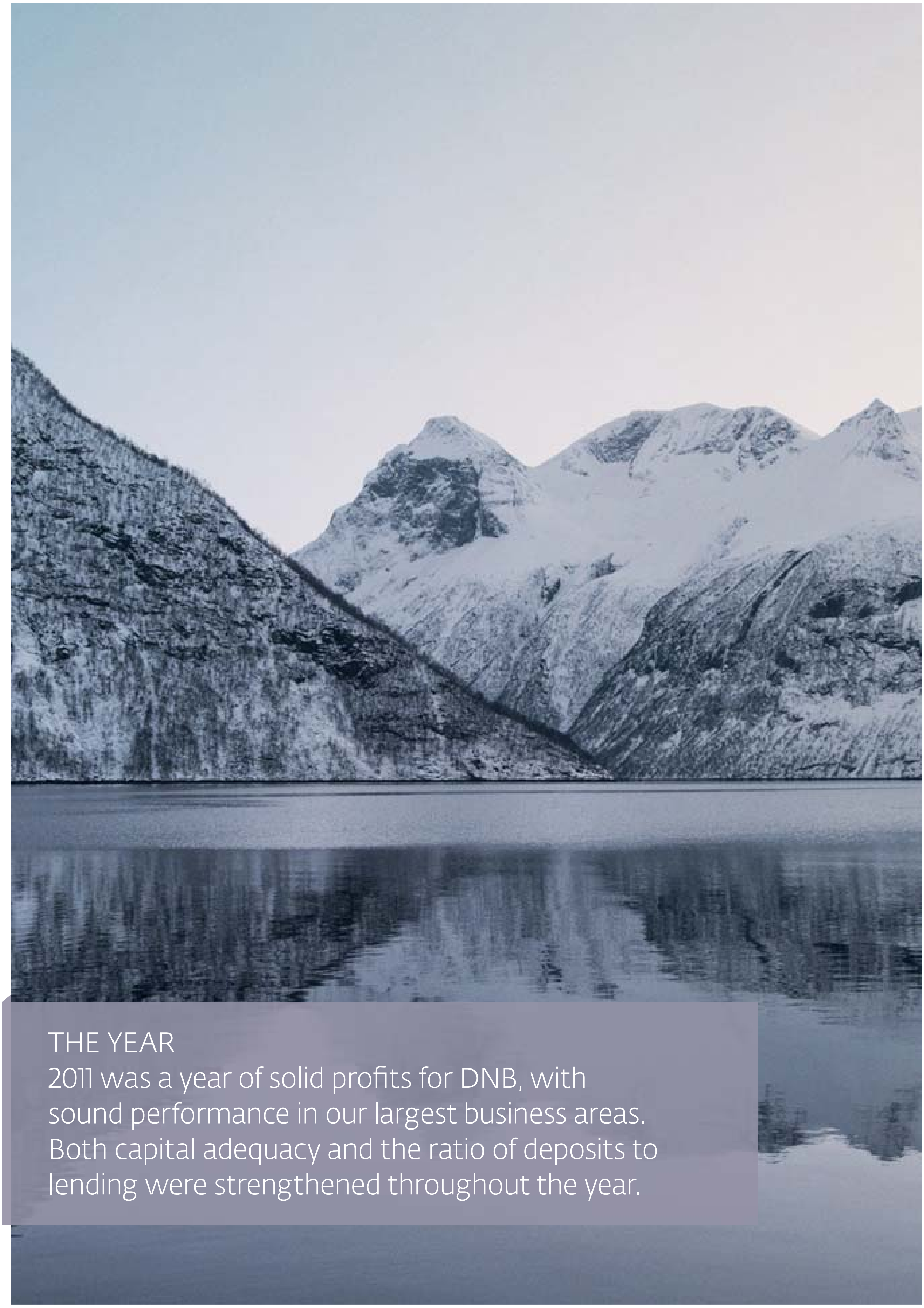
the Norwegian market. Mobile and online banking will become important channels to complement our initiatives in the physical distribution network.

Meanwhile, DNB is becoming a more international bank. Our most important industry sectors are shipping, energy and seafood. In 2011, DNB was the world's lead arranger of syndicated loans to the shipping industry. The bank also expanded within energy, both in Norway and internationally. DNB has also strengthened its position in seafood, and this sector is growing, particularly within fish farming. In 2011, we opened a new office in Aberdeen. In addition, we expanded the range of products we offer from our international offices, thus strengthening our global position within "our" industries.

The former DnB NORD has become a fully-fledged member of the DNB family. The integration process was completed according to plan and the strategy for further development in the area is now ready. Estonia, Lithuania and Latvia are expected to have higher growth rates than the rest of Europe, and we see exciting prospects for the future.

The outcome and the repercussions of both the European crisis and the new banking regulations are still unclear. We are in the process of adjusting growth, costs and capitalisation to the new requirements and framework conditions. Our ambitions for lending growth with respect to our largest customers have been revised downwards in 2012. Nevertheless, DNB still has ambitions to achieve total lending growth of approximately 5 per cent in 2012. DNB is among the most solid banks in Europe, and we are consequently well equipped to support our customers through turbulent times.

Rune Bjerke
Group chief executive



THE YEAR

2011 was a year of solid profits for DNB, with sound performance in our largest business areas. Both capital adequacy and the ratio of deposits to lending were strengthened throughout the year.

NEW REGULATORY FRAMEWORK

Over the last few years, a number of new regulations and requirements for the financial services industry have been introduced or announced. They have different backgrounds, but a common factor is that they will have serious financial consequences for the industry.

The changes are so extensive that they will have a profound impact on how the institutions will have to organise important parts of their operations. In addition, they will increase costs, both because the regulations in themselves will entail higher costs and because compliance with the regulations will be more complicated and require additional resources.

The most far-reaching requirements arise from the financial crisis and reflect the supervisory authorities' ambitions to strengthen the capital adequacy, liquidity and funding of financial institutions. Other requirements derive from changes in international accounting rules. In addition, changes have been proposed to the taxation of financial institutions, which will affect their profitability and product pricing. The framework conditions need to be balanced in order to be able to offer customers good and relevant products in a financially sustainable manner. It is vital that the introduction of such changes is transparent, thus enabling investors, customers and other stakeholders to understand the effects of the regulations. Moreover, it is critical that changes in the individual countries are implemented in step with international developments to ensure uniform framework conditions and equal competitive terms.

CAPITAL REQUIREMENTS DIRECTIVE, CRD IV

On 20 July 2011, the European Commission launched its proposal for new regulations for credit institutions and investment firms, CRD IV, which is based on the Basel Committee's recommendations from December 2010 on new and stricter capital and liquidity standards, Basel III. CRD IV is intended to apply to all banks and investment firms within the EEA. Even though the draft regulations are aimed at ensuring optimal harmonisation within the EU, scope is given for a certain level of national discretion. For example, national authorities will be given the opportunity to adjust the risk weighting of commitments secured by real estate, determine counter-cyclical capital buffers, introduce additional buffer requirements and opt for an early introduction of the capital adequacy requirements.

The draft proposal has been submitted to the EU for further consideration and must be approved by the European Council and the EU Parliament before becoming final legislation. The draft proposal will follow the implementation plan proposed by the Basel Committee, whereby it will enter into force on 1 January 2013 and be fully implemented by 1 January 2019.

In Norway, the regulations will apply to all financial institutions, also those that are not credit institutions, and to financial services groups. Finanstilsynet (the Financial Supervisory Authority of Norway) has prepared a consultation paper to the Ministry of Finance, proposing legislative amendments due to enter into force on 1 January 2013.

LIQUIDITY REQUIREMENTS FOR BANKS

The Basel Committee has proposed new liquidity requirements for banks: a short-term requirement, Liquidity Coverage Ratio, LCR, and a long-term requirement, Net Stable Funding Ratio, NSFR. The LCR requires that banks hold sufficient eligible liquid assets to cover, as a minimum, total net payments over a 30-day period. Net payments reflect key stress assumptions, such as the loss of deposits from customers, public entities and central banks. This requirement must be met by 1 January 2015.

The NSFR requires banks to have an amount of stable funding (12-month horizon) which, as a minimum, corresponds to the so-called "required amount of stable funding". Banks are thus required to use stable funding to finance their assets, such as loans and securities. Stable funding is defined as deposits and funding with residual maturities of 12 months or longer. There are weighting rules for both assets and deposits which reflect the items' liquidity characteristics. According to the proposal, the NSFR requirements must be met by 1 January 2018.

Uncertainty still prevails regarding the final details in the new liquidity requirements, and observation periods have therefore been established to prevent unintended consequences from the regulations. In order to help reduce market uncertainty, the Basel Committee has announced that LCR modifications and specifications will be published in 2012. The updates will apply to the criteria for eligible liquid assets, stress assumptions relating to cash flows, and a description of how the banks can use the liquidity buffer in times of stress. With respect to the NSFR, the Basel Committee is still in constructive dialogue with the financial sector regarding the details, based on facts and analyses.

CAPITAL ADEQUACY REQUIREMENTS FOR BANKS

The proposed new capital adequacy requirements imply that the minimum common equity Tier 1 requirement will be increased to 4.5 per cent. In addition, there will be a 2.5 per cent capital conservation buffer which in practice will be regarded as part of the minimum requirement. The total minimum common equity Tier 1 requirement will thus be 7 per cent. Common equity Tier 1 capital must be fully loss absorbing and can only consist of common share capital or retained earnings. The minimum capital adequacy requirement will be increased from 8 to 10.5 per cent, of which minimum 8.5 per cent must represent Tier 1 capital and Tier 2 capital can represent maximum 2 per cent. Furthermore, up to 1.5 per cent of Tier 1 capital may consist of hybrid capital. Under Basel III, there are much stricter requirements governing the actual loss absorbing capacity of hybrid capital than under the current regulatory framework. In addition, a counter-cyclical capital element will be introduced, ranging between 0 and 2.5 per cent. This element should consist exclusively of common equity Tier 1 capital, and the size of the buffer will be determined by the national supervisory authorities. The total common equity Tier 1 requirement will thus range between 7 and 9.5 per cent. With respect to systemically important banks, additional capital buffers will probably be required. The G20 countries have agreed on an additional buffer of between 1 and 2.5 per cent of common equity Tier 1 capital for global systemically important banks. Corresponding supplementary requirements are expected to be incorporated in the EU's rules for domestic systemically important banks. The capital adequacy requirements will be phased in from 1 January 2013 and be fully implemented no later than 1 January 2019. The proposed EU directive opens up for introducing the requirements more quickly than recommended by the Basel Committee.

As a supplement to the risk-weighted capital requirements and as a measure to counter creative adjustments and gaps in the regulations, a non-risk based capital requirement, "leverage ratio", will also be introduced. This requirement implies that Tier 1 capital must be minimum 3 per cent of the total of balance sheet items and off-balance sheet risk exposure. Off-balance sheet items are converted to on-balance sheet items according to further specified rules. Public reporting of the non-risk based capital requirement is expected to start on 1 January 2015 and may become a binding minimum requirement on a level with the capital adequacy requirements with effect from 2018.

TEMPORARY, STRICTER CAPITALISATION REQUIREMENT FOR BANKS

On account of the European sovereign debt crisis, the European Banking Authority, EBA, published an additional plan for the recapitalisation of European banks in October 2011 to increase confidence in the European banking system. Banks are required to hold common equity Tier 1 capital of minimum 9 per cent after any adjustments for latent sovereign debt write-downs. As opposed to the supervisory authorities in Sweden and Denmark, Finanstilsynet has chosen to use the Basel II transitional rules, which set a floor for how low a bank's risk-weighted volume can be relative to the Basel I rules, the so-called "80 per cent floor". Banks in Sweden and Denmark are thus not subject to any recapitalisation requirement, which they would have been if the Norwegian calculation method had been used.

In the fourth quarter of 2011, the Swedish authorities launched a special initiative for the national implementation of Basel III and CRD IV. Based on the IRB approach for determining risk-adjusted volume, large Swedish banks will be required to have a common equity Tier 1 capital ratio of 10 per cent from 1 January 2013, increasing to 12 per cent from 1 January 2015. This means that the Swedish authorities are opting for a 3 per cent (5 per cent from 2015) increase in the minimum common equity Tier 1 capital requirements for systemically important banks, but will consider other solutions if this will not be consistent with EU legislation.

Different requirements and measurement rules in the Nordic region make it difficult to communicate financial strength and capital adequacy to the international capital market, which frequently regards the Nordic region as one and the same market. It is a paradox that stricter national rules for determining risk-weighted volume could result in Norwegian banks appearing to be less sound and have negative consequences for ratings and the price of market funding.

DNB is of the opinion that there should be equal framework conditions for competition in the market and urges the Norwegian authorities to work for optimal harmonisation in line with the intentions behind the new regulatory framework for the EEA. It is positive that the Basel Committee supports a harmonised international implementation of the Basel regulations. A possible tool in this connection will be the publication of peer reviews showing how the individual countries implement the rules, using the measurement of risk-weighted assets to demonstrate the need for consistency to avoid the distortion of competition. The first reviews will be published during the first quarter of 2012 and will encompass the EU countries plus Japan and the US. DNB encourages the Norwegian authorities to participate in these processes.

IMPROVED WINDING-UP AND CRISIS SOLUTIONS FOR BANKS

The financial crisis demonstrated the need for better solutions for the winding-up and restructuring of banks. In line with recommendations from the Basel Committee, the EU has announced a future directive on this subject. A draft directive was circulated for comments in 2011. The intention is to facilitate the winding-up of even the largest banks without an injection of government funds. It should be possible to ensure the continuity of systemically important functions through the recapitalisation of the entire or parts of a bank by writing down or converting into share capital the bank's subordinated loans and unsecured senior debt. The authorities will be given extensive powers to restructure banks which are considered to be "non-viable".

IMPORTANT IFRS AMENDMENTS

A number of new International Financial Reporting Standards, IFRSs, must be expected to be introduced over the coming years. Some of the standards have already been approved by standard-setting bodies, as described under Accounting principles to the annual accounts, item 21 Approved standards and interpretations that have not entered into force. The amendments are expected to become effective for Norway after being considered by the EU

Commission and the Norwegian authorities. Some of the new accounting requirements ensue from a wish for improvements expressed in the wake of the financial crisis, while others are based on other improvement initiatives, not least in connection with the convergence between IFRS and US GAAP.

Future amendments which are expected to have the most pronounced impact on the Norwegian financial market are new accounting requirements for the assessment of loans and new accounting requirements for insurance contracts. In addition, the IASB has issued amendments to IAS 19 Employee Benefits which will affect the accounting treatment and presentation of defined benefit pension schemes.

NEW ACCOUNTING REQUIREMENTS FOR THE ASSESSMENT OF LOAN LOSSES

The International Accounting Standards Board, IASB, a standard-setting body, has drawn up an exposure draft for the assessment of credit losses, issued in November 2009. At end-January 2011, the IASB and the US Financial Accounting Standards Board, FASB, published a supplement to the original exposure draft on an impairment model for financial assets measured at amortised cost. The model was further refined during 2011, and at the beginning of 2012, the standard-setting bodies were still discussing the rules for the impairment of financial assets measured at amortised cost. Additional changes to the original exposure draft are expected. The final draft for a new IFRS standard on the impairment of financial assets measured at amortised cost is expected to be presented by end-June 2012. The amendments are likely to have a major impact on the banking industry and the market in general.

Current requirements for measuring loan losses

According to prevailing requirements, the value of a financial asset shall be written down if there is objective evidence of impairment, i.e. when a loss event has occurred. Standard-setting bodies, auditors and users have criticised certain aspects of the impairment rules, including the fact that in some cases, the current rules have resulted in delayed recognition of losses, as a loss event must have occurred in order for the loss to be recognised. In addition, it is sometimes difficult to determine when a loss has actually occurred, which may result in inconsistent application of the requirements.

New requirements for measuring loan losses

In the exposure draft issued in November 2009, the IASB proposed an expected loss model which entailed that expected losses were to be included in the computation of the effective interest rate upon initial recognition of a financial asset, including loans. The proposal implied that the part of the interest rate which compensates for expected losses, should not be recognised as income.

In the supplement issued on 31 January 2011 and in subsequent discussions, the IASB and the FASB presented a joint model for recognising impairment of financial assets. This model received little support and the standard-setting bodies have made further adjustments to the model in 2011 and 2012. The impairment model which is being discussed in early 2012 includes elements of the IASB's original proposal, as well as adjustments which are intended to make the model easier to use. Among other things, expected losses are not included in the computation of effective interest rates used as a basis for interest income recognition. In addition, it is assumed that the model which is being discussed will be applicable for all types of loans and securities.

According to the model which is being discussed in early 2012, the accrual of expected losses over the life of the assets should be determined by the characteristics of the assets. Financial assets measured at amortised cost should be divided into three categories. In principle, at initial recognition, all commitments shall be classified in category 1 and thereafter be transferred to the other two categories according to specific criteria. Expected losses relating to doubtful commitments, which according to given criteria are transferred from category 1, shall be calculated for the total lifetime of the commitment and be recognised immediately (category 2 at portfolio level or category 3 at an individual level). Provisions for losses on commitments in category 1 shall be based on expected losses within a 12-month period.

The intention behind the new approach is to better reflect the underlying economics in a lending transaction. There should be no need to identify triggering loss events in order to estimate changes in expected losses. According to the IASB, this method is intended to ensure greater consistency between various reporting entities. The standard-setting bodies expect that the new requirements will present useful information to users of financial statements for their assessment of original loss estimates and possible changes in estimates over the life of an asset.

It remains highly questionable whether the new requirements will actually have the desired effect. A high degree of judgement will be required when assessing when commitments should be defined as doubtful and transferred from a category where provisions are based on expected losses during a 12-month period to a category where expected lifetime losses should be calculated. It will also be very challenging to assess future expected cash flows and lifetimes, as well as arrive at good and stable expected loss estimates. There will therefore be a high degree of uncertainty related to these estimates.

The new requirements are expected to cause greater volatility in financial reporting. Due to limited experience and the lack of relevant and reliable statistics, adjustments will regularly be made to the assumptions underlying expected loss measurements. Such changes will be reflected in the accounts on a cumulative basis, which means that the full effect of new estimates must be recognised immediately for all commitments affected by the changes. Adjustments in the new model may nevertheless result in somewhat lower volatility in financial reporting.

Once the new requirements are implemented, a reduction in equity is expected for most financial institutions, as there will probably be a need for higher impairment allowances on loans. In light of the introduction of Basel III and the amended IAS 19, the consequences may be challenging unless capital adequacy requirements and accounting rules are coordinated. The expected effective date for the new loss reporting requirements is 1 January 2015.

NEW ACCOUNTING REQUIREMENTS FOR INSURANCE CONTRACTS

In July 2010, the IASB published an exposure draft for a revised IFRS 4 Insurance Contracts, which represented the first extensive proposal from the IASB on the accounting treatment of insurance contracts. Subsequent to this, there have been many discussions concerning the new requirements, and a number of tentative decisions have been made regarding amendments to the original exposure draft. As a consequence, a revised exposure draft or a supplement to the original exposure draft is expected to be presented in the second quarter of 2012. The exposure draft proposes that insurance liabilities be measured at the fair value of the cash flows arising from the insurance contracts, plus a risk margin. However, the wording of the final standard remains uncertain. Under the current standard, liabilities are measured according to requirements which are further defined in the Act on Insurance Activity. The assets are thus measured at a combination of amortised cost and fair value, depending on the characteristics of the assets. The accounting requirements are expected to result in greater volatility in profit measurements for life insurance companies in the longer term. The original effective date for the revised IFRS 4 Insurance Contracts was 1 January 2013, but has been indefinitely postponed.

REVISED ACCOUNTING REQUIREMENTS FOR DEFINED BENEFIT PENSION SCHEMES

In 2011, the IASB issued amendments to IAS 19 Employee Benefits. One of the amendments is the removal of the corridor approach for recognising actuarial gains and losses. Actuarial gains and losses should now be recognised in other comprehensive income in the period in which they occur. Furthermore, the amendments imply that pension expenses are to be split between profit or loss and other comprehensive income. The expected return on pension funds should be computed using the discount rate used to measure the pension liability. The current service cost and net interest expenses are to be recognised in profit or loss, while remeasurements, such as actuarial gains and losses, are to be recognised in other comprehensive income. Pension entitlements earned during the period and net interest expenses should be recognised in profit or loss, while remeasurements are to be recognised in other comprehensive income. Furthermore, the disclosure requirements for defined benefit pension schemes have been changed. The amendments will be effective for the accounting year starting on 1 January 2013, but have not yet been endorsed by the EU. See also Accounting principles to the annual accounts, item 21 Approved standards and interpretations that have not entered into force.

TAX EXEMPTION METHOD FOR LIFE INSURANCE COMPANIES

On 1 January 2012, the Norwegian Ministry of Finance made public a consultation paper proposing more restrictive use of the tax exemption method (Section 2-38 of the Norwegian Taxation Act) for life insurance and pension companies. The proposal concerns income on shares, including dividends and capital gains generated in group and unit-linked portfolios (policyholders' funds). Income on shares will still be included in the deduction for allocations to insurance funds etc. in accordance with Section 8-5 of the Taxation Act. The exemption method will still apply to income from shares etc. in the corporate portfolios of life insurance and pension companies.

In the opinion of the Ministry of Finance, there is a certain asymmetry in prevailing legislation, as a rise in the value of or the income on policyholders' funds gives tax deductions, while the exemption method permits that parts of such income be exempt from taxation.

The proposed legislative amendment aims to reduce the apparent asymmetry by restricting the use of the exemption method for these companies. The proposal was launched without any prior notification or dialogue with the industry. In a letter dated 4 January 2012 to the Ministry of Finance, Finance Norway (FNO) pointed out that the proposal came as a surprise to the industry and that the timing was unfortunate. If the proposal is approved, it may entail higher taxes for DNB.

It has been proposed that the new rules enter into force with effect from 1 January 2012. The deadline for comments on the consultation paper is 2 April 2012. DNB, FNO and other industry players will be active during the consultation round in an effort to limit the negative effects of the proposal. At present, there are still a number of unresolved questions regarding the proposal.

FINANCIAL ACTIVITIES TAX

According to the Norwegian National Budget for 2012, the Ministry of Finance has carried out a preliminary feasibility assessment of the introduction of an activities tax for the financial sector.

The Norwegian government's assessment of possible changes to the taxation of the financial sector is based on the report from the Financial Crisis Commission, c.f. Official Norwegian Report no. 2011: 1, Better positioned against financial crises, where one of the proposals was to consider the feasibility of an activities tax for the financial sector.

In Norway and most other countries, financial services are normally exempt from value added tax (VAT). The reason for this exemption is the difficulty in determining an appropriate tax base for VAT calculation in the financial sector. Furthermore, this would lead to an extremely complex relationship between VAT rules for financial services in Norway and for international ones. As a result of this exemption, outgoing VAT is not charged on the sale of financial services, while financial undertakings are not entitled to deduct incoming VAT on products procured for use in such operations.

The government has stated that the intention of the activities tax is to remedy the situation that the financial sector does not pay VAT. It has been claimed that the financial sector is undertaxed as a result of the VAT exemption. However, this must be seen in relation to the fact that paid VAT (non-deductible incoming VAT), seen in isolation, represents a surtax for the financial sector.

The Ministry of Finance has considered two principal methods for drawing up an activities tax as an alternative to VAT in the financial sector: the addition method and the subtraction method. The tax basis for an activities tax based on the addition method will be the sum of wages and profits. Based on the subtraction method, the added value is instead determined by the difference between income and intermediate consumption (goods and services consumed as inputs).

DNB considers the introduction of an activities tax for the financial sector to be an unfortunate measure. An activities tax lacking the neutrality characteristics of the VAT system would represent an extra tax on the financial sector. This will create a distortion of competition vis-à-vis similar market players within the EU. Moreover, an activities tax which is not internationally harmonised will create an imminent danger of double taxation for financial institutions with international activities.

Furthermore, the financial sector is facing a number of far-reaching regulatory requirements. In such a scenario, a possible introduction of an activities tax will create added uncertainty and reduce the financial sector's ability to satisfy the new requirements. Finanstilsynet has stated that it would not welcome the introduction of an activities tax. Norges Bank has recommended that further exploration of an activities tax in Norway be put on hold until a proposal for such a tax is presented by the European Commission. DNB agrees that an exclusively Norwegian surtax should not be introduced for the financial industry. As of today, no other country has introduced a tax equivalent to the activities tax which has been evaluated in Norway.

The background for the activities tax assessment is also based on the false premise that Norwegian financial institutions pay too little tax. In fact, the financial industry is second only to the petroleum industry with respect to who pays most corporate income tax in Norway.

REPORTING OF CUSTOMERS OR ENTITIES LIABLE TO US TAXATION

In 2010, the Foreign Account Tax Compliance Act, FATCA, was passed by the US authorities to combat tax evasion by persons or entities liable to US taxation. The rules and the implementation timetable have been made public in several statements by the US tax authorities, i.e. the Internal Revenue Service, IRS, most recently in February 2012. A number of individual countries and the EU have raised the issue of the reporting requirements with the American authorities to achieve an implementation which is cost-effective, business-friendly and in conformity with their national legislation.

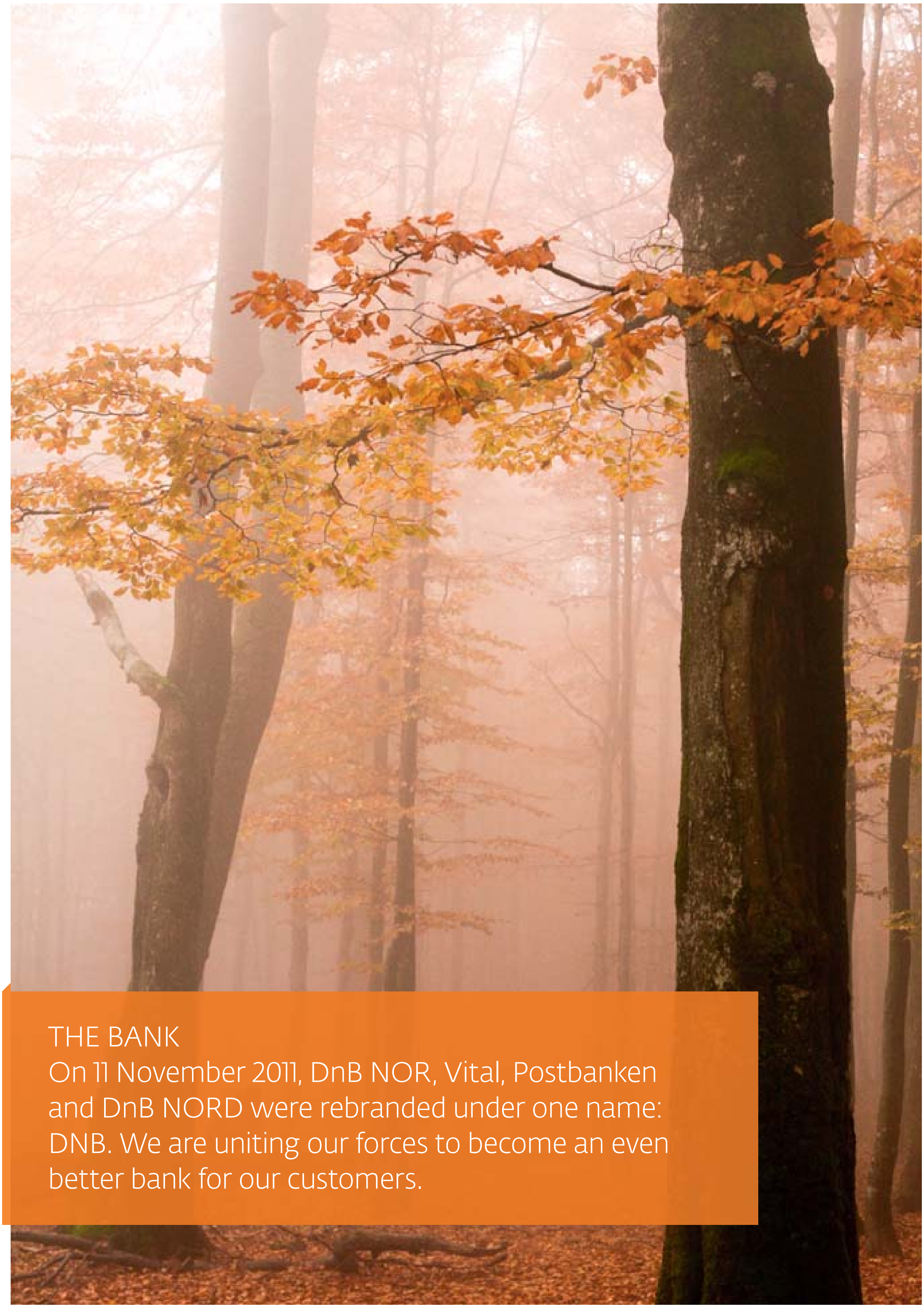
The final regulatory framework has not been adopted, and the details of the reporting requirements have not yet been finalised. The rules proposal made public in February 2012 relaxes the original requirements and extends the implementation period. Notification has been given of a US public hearing about the rules in May 2012. According to the proposed rules, non-American financial undertakings must report to the American tax authorities, either directly or via the local authorities in the country concerned. The latter requires the conclusion of a separate agreement between the country concerned and the US. In February 2012, the authorities in the US, the UK, Germany, France, Italy and Spain published a joint statement with a view to achieving better compliance with international tax rules and the implementation of FATCA. The statement entails a relaxation of the FATCA requirements for financial undertakings in the countries concerned.

The definition of financial undertakings is broad and comprises banks, insurance companies, brokerage companies, and investment and mutual fund structures. The reporting requirement includes relationships with customers who are liable to US taxation or with units where such customers have a significant ownership interest. It is also presumed that the financial undertakings will collect American withholding tax on behalf of the IRS. The rules are intended to be gradually introduced from 2013.

Non-American financial undertakings are expected to establish processes to identify and verify customer relationships falling within the scope of FATCA, report such customer relationships annually to the IRS and collect 30 per cent withholding tax on payments of US-source income or gross sales proceeds for financial undertakings which generate income which is taxable in the US. Such withholding tax includes payments to financial undertakings which have not entered into an agreement with the IRS, customers who have not submitted sufficient information for their tax liability to the US to be clarified, or units with large American owners which have not submitted information about these owners.

FATCA represents large challenges for financial undertakings around the world and will require, among other things, that identification and reporting procedures are established. The IRS reporting could also come into conflict with local legislation on the protection of customer information that applies to the financial undertakings. For the above-mentioned countries, the intention is to incorporate the FATCA rules into local legislation and that the reporting is made to the local tax authorities in each country, who in turn forward the information to the IRS. FATCA may potentially have significant negative consequences for financial undertakings failing to comply with the identification and reporting requirements. It is important that the Norwegian authorities ensure that Norwegian financial undertakings have equal framework conditions in this area.

DNB is following developments and planning how to adapt in order to satisfy the requirements within a framework which is cost-effective, takes commercial aspects into account and is in conformity with the legislation of the countries where the Group has operations.



THE BANK

On 11 November 2011, DnB NOR, Vital, Postbanken and DnB NORD were rebranded under one name: DNB. We are uniting our forces to become an even better bank for our customers.

CORPORATE GOVERNANCE

DNB's management and Board of Directors annually review the principles for corporate governance and how they are implemented in the Group. Pursuant to Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance dated 21 October 2010, including the memo regarding the code published on 20 October 2011, DNB hereby gives an account of the Group's corporate governance principles and practice.

Section 3-3b, second subsection of the Norwegian Accounting Act (statement on corporate governance)

The description below accounts for DNB's compliance with Section 3-3b, second subsection of the Norwegian Accounting Act. The numbers refer to the section's numerical order.

1-3. Specification of the recommendations complied with by DNB, information on where the recommendations are available and reasons for any non-conformance with the recommendations
The DNB Group's corporate governance structure is based on Norwegian legislation. DNB complies with the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board, NUES. The Code of Practice is available on nues.no. Any deviations from the Code of Practice are accounted for under the description of DNB's compliance with the Code of Practice below.

4. A description of the main elements in the Group's internal control and risk management systems linked to the financial reporting process
See section 10 under the Norwegian Code of Practice for Corporate Governance below.

5. Articles of Association that completely or partially extend or depart from provisions stipulated in Chapter 5 of the Public Limited Companies Act
DNB ASA's Articles of Association do not deviate from Chapter 5 of the Public Limited Companies Act, which governs general meetings.

6. The composition of governing bodies and a description of the main elements in prevailing instructions and guidelines for the work of these bodies and any committees
See sections 6, 7, 8 and 9 under the Norwegian Code of Practice for Corporate Governance below.

7. Articles of Association that regulate the appointment and replacement of members of the Board of Directors
See section 8 under the Norwegian Code of Practice for Corporate Governance below.

8. Articles of Association and authorisations that allow the board to decide that the enterprise is to repurchase or issue the enterprise's own shares or equity certificates
See section 3 under the Norwegian Code of Practice for Corporate Governance below.

The Norwegian Code of Practice for Corporate Governance

The description below accounts for DNB's compliance with the 15 sections in the Code of Practice.

SECTION 1

IMPLEMENTATION OF AND REPORTING ON CORPORATE GOVERNANCE

There are no significant deviations between the Code of Practice and the way it is complied with in DNB. One deviation has been accounted for in section 14 below.

DNB's vision is: "Creating value through the art of serving the customer."

The values underlying the vision are *helpful*, *professional* and *show initiative*.

The vision and values form the basis for the Group's rules governing ethics and corporate social responsibility. The DNB Group shall be characterised by high ethical standards and sound corporate governance. According to the Group's code of ethics, its employees, members of governing bodies, temporary staff and consultants should act with respect and consideration, and communication should be open, truthful and unambiguous. DNB's code of ethics also includes guidelines on impartiality, the duty of confidentiality and the duty to notify, conflicts of interest, relations with customers and suppliers, media relations, securities trading, insider trading and relevant personal financial matters. DNB takes social, environmental and ethical risk aspects into consideration in its lending activities.

DNB wishes to be an active owner through its various roles as investor. The aim of active ownership or ownership administration is to influence companies.

DNB reports in accordance with the Equator principles, a voluntary set of guidelines for managing environmental and social issues in project finance. In addition, DNB's suppliers are required to meet certain requirements by signing a special declaration, stating that they do not contribute to human or labour rights violations, environmental harm or corruption. In the course of 2011, a model for following up suppliers' corporate social responsibility was established. Suppliers are classified and followed up depending on the risk of infringement of human or labour rights, environmental harm or corruption. The aim is to ensure that social and environmental risk in the supplier chain to a greater extent than today is identified and properly managed. The model will be implemented in 2012.

Corporate social responsibility in DNB means safeguarding the interests of individuals and the environment. DNB is committed to having environmentally friendly in-house operations, safeguarding and respecting human rights and contributing to society to ensure that more people can realise their plans and ambitions.

More information about the Group's corporate social responsibility initiatives can be found on dnb.no/about-us. According to the DNB Group's guidelines for the handling of information, employees and elected representatives have a duty not to disclose any information about the affairs of the Group or the Group's customers that may come to their knowledge by virtue of their position. The duty of confidentiality does not apply only to third parties, but also in relation to colleagues who do not need to be privy to such information in order to carry out their work. Furthermore, the rules apply to information about the Group's strategy and market plans and other aspects of competitive significance. The individual employee or elected representative is responsible for being fully updated on general and special confidentiality rules that apply to their areas of responsibility. Moreover, no DNB employee is allowed to, via the computer systems or otherwise, actively seek information about colleagues, customers or third parties when they do not need to be privy to such information in order to carry out their work in the company.

The Group's code of ethics sets forth that employees must promptly inform their immediate superior or the group executive vice president, Group Audit, if they obtain knowledge about circumstances that are contrary to prevailing regulations issued by the authorities or represent major breaches of internal regulations. Employees who in a responsible manner notify reprehensible aspects pursuant to this item will be protected from any repercussions following such disclosure.

Violation of the code of ethics on the part of an employee could have consequences for his or her position in the Group. The complete code of ethics can be found on the Group's website, dnb.no.

No deviations from the Code of Practice.

SECTION 2

BUSINESS

The object of DNB is to engage in banking, insurance and financing and any related activities within the scope of Norwegian legislation in force at any time. The complete Articles of Association of DNB ASA can be found on the Group's website, dnb.no. The directors' report describes the Group's targets and strategies, and the market is kept updated through investor presentations in connection with quarterly accounts and presentations on special subjects.

In annual strategy processes, the Board of Directors considers whether goals and guidelines established on the basis of the strategies are unambiguous, adequate, well operationalised and easily comprehensible for the employees. All key guidelines are available to the employees through DNB's intranet.

No deviations from the Code of Practice.

SECTION 3

EQUITY AND DIVIDENDS

The Board of Directors continually reviews the capital situation in light of the company's targets, strategies and intended risk profile. As at 31 December 2011, DNB had total equity of

NOK 117.8 billion. According to statutory capital adequacy regulations for financial institutions, the Group's capital adequacy ratio was 11.4 per cent of risk-weighted assets, while the common equity Tier 1 capital ratio was 9.4 per cent. The Norwegian authorities' current minimum capital adequacy requirements are eight and four per cent respectively. Calculations were also made of the effect of the planned use of IRB measurement of risk-weighted volume. The calculations showed a potential common equity Tier 1 capital ratio of 10.8 per cent at end-December 2011 based on such implementation and excluding the effects of the limitations ensuing from the transitional rules. The Board of Directors considers the Group to be adequately capitalised in relation to current regulatory requirements. See the Group's Pillar 3 report on risk and capital management for a further description of the rules on capital adequacy, the principles applied by DNB to estimate capital requirements, as well as a further specification of the Group's capital adequacy ratio. The report is available on the Group's website, dnb.no/about-us.

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 the calculation base 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 full 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 for competition in the market. Norwegian regulations, taxes and fees should not be 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. The main elements of the new capital adequacy requirements are described in further detail in the chapter on changes in the regulatory framework.

Dividends

DNB's primary objective is to create long-term value for shareholders, partly through a positive share price development and partly through a predictable dividend policy. Dividends will be determined on the basis of expected profit levels in a normalised market situation, external parameters and the need to maintain a satisfactory capital adequacy level. New regulatory requirements require higher capital adequacy ratios. In line with the Group's dividend policy, the Board of Directors has therefore taken the stricter capital adequacy requirements into account and reduced the proposed dividend for 2011.

Repurchase of shares

To ensure flexibility in the Group's capital management, the Board of Directors has on previous occasions asked the Annual General Meeting for an authorisation to repurchase own shares. An agreement has previously been signed with the Norwegian government, represented by the Ministry of Trade and Industry, for the redemption of a proportional share of government holdings to ensure that the government's percentage ownership remains unchanged. In order to ensure an optimal level of capital in the company, on 28 April 2011, the General Meeting authorised the Board of Directors to acquire own shares for a total face value of up to NOK 732 959 487, corresponding to 4.5 per cent of the company's share capital. The shares shall be purchased in a regulated market. Each share may be purchased at a price between NOK 10 and NOK 150. Acquired shares shall be sold in accordance with regulations on the reduction of capital in the Public Limited Companies Act. The authorisation will be valid for a period of 12 months from the date the resolution was passed at the General Meeting.

Increases in share capital

As the present time, no authorisation had been granted to the Board of Directors for an increase in the share capital of DNB ASA.

No deviations from the Code of Practice.

SECTION 4

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

DNB ASA has one class of shares. The Articles of Association, the Board of Directors and group management emphasise that all shareholders will be treated equally and have the same opportunity to exert influence. All shares carry equal voting rights. In connection with increases in share capital, existing shareholders will be given pre-emptive rights, unless such rights are derogated from due to special circumstances. In such case, the reasons for such a derogation will be specified. In cases when the Board of Directors asks the Annual General Meeting for an authorisation to repurchase own shares, shares will be purchased through the stock market at market price.

Largest shareholder

The Norwegian government, represented by the Ministry of Trade and Industry, is DNB ASA's largest shareholder, owning 34 per cent of the shares. According to the State Ownership Report (White Paper no. 13 2010-2011 Active ownership) the purpose of the government's ownership in DNB ASA is to ensure that the Group is headquartered in Norway and serves as a partner for Norwegian companies at home and in the export markets. This gives the business community access to a large, Norwegian-based financial services group with a high level of expertise. In the ownership report, the government confirms that it will retain its holding in DNB ASA at the current level and that the company is to be run on business terms. After its consideration of the report, the Storting endorsed the government's ownership policy.

The shares held by the Ministry are managed by the Department of Ownership, subject to special management guidelines which among other things stipulate that the Norwegian government cannot have representatives on the boards of directors or supervisory boards of financial institutions, but that the government, through participation in election committees, must ensure that the governing bodies include representatives from all shareholder groups. The guidelines require that the Ministry act in a manner conducive to equal treatment of DNB's shareholders.

Second largest shareholder

Sparebankstiftelsen DNB NOR (the DNB NOR Savings Bank Foundation) is the second largest shareholder, owning 10.09 per cent of the shares at end-December 2011. The foundation was established in autumn 2002, when the former Gjensidige NOR Sparebank (Union Bank of Norway) was converted to a limited company. According to Norwegian law, the foundation is required to be a stable, long-term owner in the Group. In order to ensure funds for its total operations, the foundation aims to achieve the highest possible risk-adjusted return on capital under management. More information is available on sparebankstiftelsen.no.

According to the Articles of Association of DNB ASA, for as long as Sparebankstiftelsen DNB NOR owns 10 per cent or more of the shares in DNB ASA, the question of sale or other disposal of shares in DNB Bank ASA shall be considered by the General Meeting in DNB ASA. The same applies to questions concerning a merger or demerger of the bank, disposal of a material portion of the bank's business or the issuing of shares in the bank to parties other than DNB ASA.

Transactions with close associates

Instructions for the Board of Directors of DNB ASA state that a board member cannot participate in deliberations or decisions on issues where he or she personally or his or her close associates would be seen as having a direct or indirect personal or financial interest in the matter. The same principle is embodied in the Group's code of ethics. It is the duty of each board member to ensure that he or she is without prejudice in deliberations of specific matters. The Board of Directors must approve agreements between the company and a board member or the group chief executive. The Board must also approve agreements between the company and third parties where a board member or the group chief executive can be perceived to have a significant interest in the matter.

Board members must inform the Board of Directors if they have a direct, significant interest in an agreement entered into by the company or another company in the DNB Group. The same applies if such agreement is signed by a company outside the DNB Group in which the board member either has an ownership interest, serves on the board or has a senior management position. A notification should be sent to the board chairman, with a copy to the Group Secretariat.

Board members, or companies with which they are associated, should not take on special assignments for companies in the DNB Group other than their board membership. If this occurs, however, the entire Board of Directors must be informed. Remuneration for such assignments is subject to approval by the Board of Directors.

With respect to the Group's other employees and elected officers, the Group's code of ethics lays down detailed rules regulating transactions with close associates. As a general rule, an employee or elected officer will be considered disqualified if circumstances exist that may lead others to believe that he or she promotes interests other than those of the DNB Group. Employees must be aware of potential conflicts of interest if they combine positions of trust with other roles in the Group.

Where a transaction is not immaterial for either the DNB Group or the close associate involved, unless it is a matter for consideration by the general meeting according to stipulations in the Public Limited Companies Act, the Board of Directors will ensure that a valuation is made by an independent third party. This also applies to any transactions between companies in the DNB Group where minority shareholders are involved. Not immaterial transactions with close associates are described in a separate note to the annual accounts.

No deviations from the Code of Practice.

SECTION 5

FREELY NEGOTIABLE SHARES

The shares in DNB ASA are listed on Oslo Børs (the Oslo Stock Exchange) and are freely negotiable. The Articles of Association include no form of restriction on negotiability.

No deviations from the Code of Practice.

SECTION 6

GENERAL MEETINGS AND CONTROL COMMITTEE

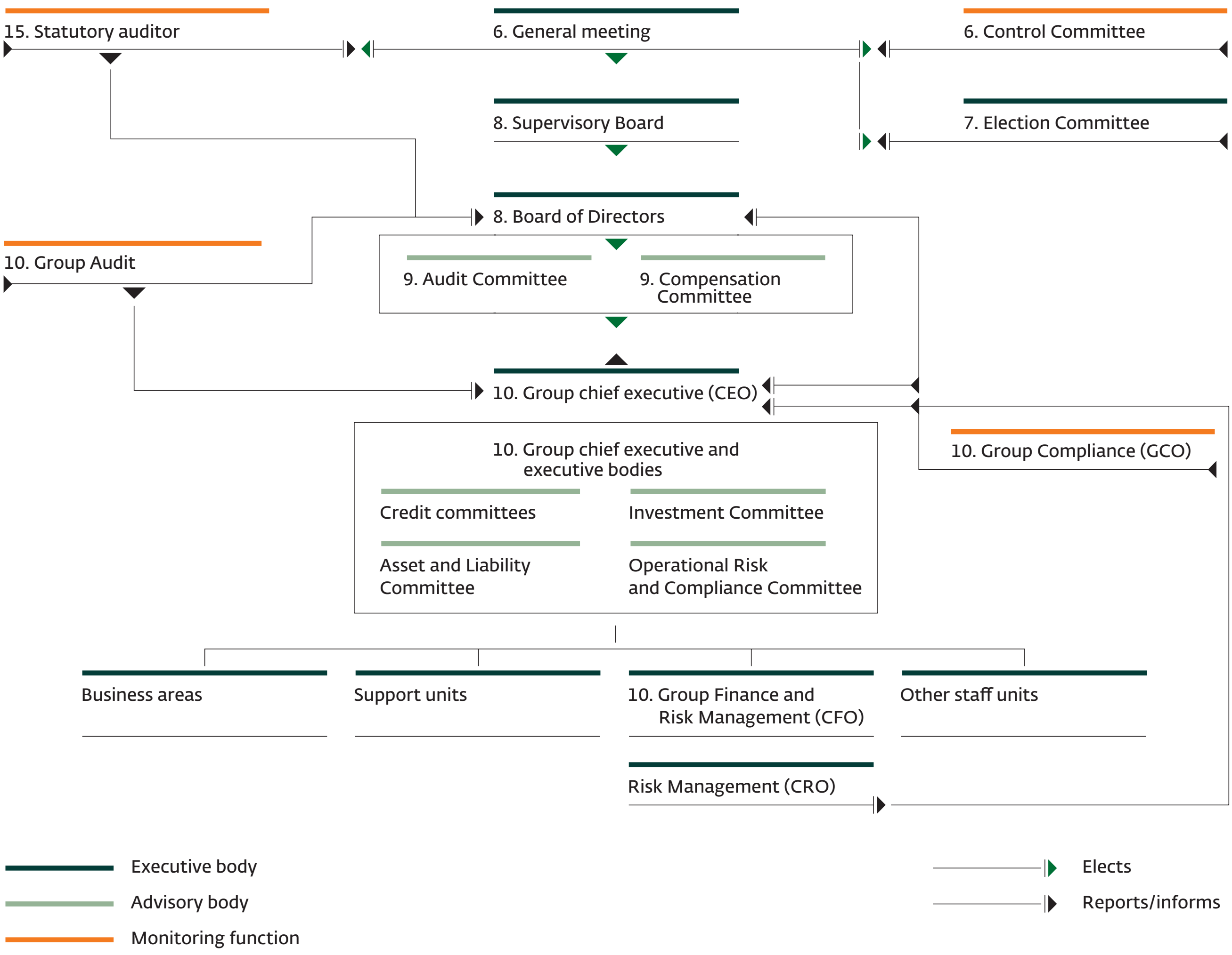
General Meeting

The general meeting exercises the highest authority in DNB and represents the Group's shareholders. According to the Articles of Association, the annual general meeting shall be held before the end of April each year. The notice and registration form will be sent to shareholders and be published on the Group's website no later than 21 days prior to the date of the general meeting. The procedure for voting and for proposing resolutions is described in the notice of the general meeting.

According to the Articles of Association, the general meeting shall be chaired by the chairman of the Supervisory Board. As a minimum, the chairman of the Board of Directors, at least one representative from the Control Committee and the statutory auditor will attend general meetings. Other board members may also attend the meetings. Representatives from group management will include the group chief executive, the chief financial officer, the head of Group Audit and specialists in certain fields. The minutes of general meetings are available on the Group's website, dnb.no.

The general meeting will appoint an Election Committee which will present a well-founded recommendation on proposed shareholder-elected members to the Supervisory Board, the Board of Directors and the Control Committee. The general meeting also selects the statutory auditor.

ILLUSTRATION OF GOVERNING BODIES IN THE DNB GROUP



The figures refer to the sections in which the respectives bodies are described.

Decisions are generally made by simple majority. Decisions concerning the disposal of shares, mergers, demergers, the sale of a material part of DNB Bank ASA's business or the issuing of shares in the bank to parties other than DNB ASA, require the approval of at least two-thirds of the votes cast and of the share capital represented at the general meeting.

The voting procedure gives shareholders the opportunity to vote separately for each individual candidate nominated for election to the various governing bodies.

Shareholders may choose to appoint a proxy. In addition, a person will be appointed to vote for the shareholders in the capacity of proxy. As far as possible, the proxy form is drawn up so that separate voting instructions can be given for each matter to be considered by the meeting and each of the candidates nominated for election.

The Board of Directors can also decide that the shareholders be given the opportunity, during a certain period prior to the general meeting, to vote in writing, which includes the use of electronic communication.

Control Committee

The Control Committee shall ensure that the Group conducts its business in an appropriate and satisfactory manner in compliance with laws, regulations and guidelines. The committee shall also make sure that the Board of Directors and the group chief executive maintain adequate supervision and control of subsidiaries. To the extent the committee finds it necessary, it may examine the Group's records, accounts, correspondence and assets, those of the Group itself as well as those on deposit with the Group. The Control Committee consists of four members and two deputies elected by the general meeting. The deputies attend all Control

Committee meetings. The Control Committee held nine meetings in 2011.

No deviations from the Code of Practice.

SECTION 7

ELECTION COMMITTEE

In accordance with DNB ASA's Articles of Association, the General Meeting and the Supervisory Board have established an Election Committee consisting of five members. The General Meeting has laid down instructions for how the Election Committee should carry out its duties. The members of the Election Committee shall be shareholders or representatives for shareholders and shall, as far as possible, represent all shareholders. No member of the Board of Directors or representative from group management is a member of the Election Committee. According to instructions for the Election Committee, there should be rotation among the committee members. The committee is chaired by the chairman of the Supervisory Board, and members are elected by the general meeting for a term of two years.

The Election Committee submits recommendations to the General Meeting for the election of shareholder-elected members to the Supervisory Board and members of the Control Committee and Election Committee. The Election Committee also submits recommendations to the Supervisory Board for the election of shareholder-elected members of the Board of Directors. The recommendation should include relevant information on each candidate's background and independence. Furthermore, the committee proposes remunerations to members of the aforementioned bodies. The remuneration of the Election Committee is determined by the General Meeting. Information about the Election Committee and closing dates for proposing candidates can be found on the Group's website, dnb.no.

The Election Committee held nine meetings during 2011. The Committee presented a recommendation for the election of new members to the Supervisory Board, including the chairman and the new vice-chairman. In addition, the committee proposed candidates for election to the Board of Directors and the Election Committee and also carried out the preparatory work related to issues to be considered in 2012.

No deviations from the Code of Practice.

SECTION 8

SUPERVISORY BOARD AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

Supervisory Board

The main responsibility of the Supervisory Board is to supervise the Board of Directors' and the group chief executive's management of the company. The Supervisory Board makes decisions based on proposals made by the Board of Directors in matters concerning investments of a considerable size in relation to the company's total resources and in matters regarding rationalisation or the restructuring of operations which will result in major changes in the workforce. It is the responsibility of the Supervisory Board to elect members to the Board of Directors. The Supervisory Board has 30 members, 20 of whom are elected by the shareholders at the general meeting. Emphasis is placed on ensuring broad representation from the company's shareholders. In addition, ten representatives are elected by and among the employees. The Supervisory Board held three meetings in 2011.

Board of Directors

The Board of Directors has up to twelve members, eight of whom are elected by the shareholders and four are representatives for the employees. No member of the group management team is a member of the Board of Directors. The Board of Directors is elected by the Supervisory Board. When electing members to the Board of Directors, the need for both continuity and independence should be met, while ensuring a balanced board composition. Members of the Board of Directors, the Supervisory Board and the Control Committee may hold such office for a period of no more than 12 consecutive years or for a total period not exceeding 20 years. Members are elected for terms of up to two years. As at 31 December 2011, the Board had eight members, five of whom were elected by the shareholders and three were representatives for the employees. Three of the members were women, two of whom were elected by the shareholders and one represented the employees.

The curricula vitae of the individual board members are found on pages 28–29 and on the Group's website. The Board of Directors will consider the independence of its members, and their conclusion is presented in the listing of board members. When new board members are nominated, their suitability is assessed, including their independence. The assessment is followed up on an annual basis by requesting a written confirmation from the board members. The Group has initiated processes to continually monitor which other assignments are held by the board members. See also the description under section 4 above, Transactions with close associates. The presentation of the Board of Directors lists any assignments for the Group and any significant appointments or assignments in other companies and organisations held by the members of the Board. Their record of attendance at board meetings is also specified.

Board members are encouraged to hold shares in the company. The survey of governing bodies specifies the number of DNB shares held by members of governing bodies and their close associates as at 31 December 2011.

No deviations from the Code of Practice.

SECTION 9

THE WORK OF THE BOARD OF DIRECTORS

The duties of the Board of Directors

The Board of Directors has approved instructions governing its work and administrative procedures, including matters to be considered by the Board, the group chief executive's tasks and obligations towards the Board and rules on convening and conducting meetings. Instructions for the Board of Directors are available at dnb.no. The Board of Directors draws up an annual plan for its activities, covering duties stipulated in laws, regulations, resolutions passed by the authorities, the Articles of Association and decisions made by the general meeting and the Supervisory Board. The Board of Directors has also issued instructions for the group chief executive.

The Board evaluates its own work and work methods annually, and the evaluation forms the basis for adjustments and measures. In addition, the Board's competencies, overall and those of each board member, are evaluated.

The Board of Directors has the ultimate responsibility for the management of DNB. Through the group chief executive, the Board shall ensure a sound organisation of business activities. The Board approves plans and budgets for operations and is continually updated on DNB's financial position and development by approving quarterly and annual reports and through a monthly review of the Group's financial position and development. Responsibilities encompass DNB's annual plan process, including principal goals and strategic choices for the Group, as well as financial three-year plans, budgets and forecasts for the Group and the business areas. Furthermore, the Board should ensure that operations are subject to adequate control and that the Group's equity capital is at a satisfactory level relative to the risk and scale of operations. The Board of Directors' responsibilities and implementation and monitoring of risk management and internal control are described in section 10 below.

Meetings of the Board of Directors are chaired by the board chairman. The vice-chairman may chair the meetings in the event that the chairman cannot or should not lead the work of the Board. If neither the board chairman nor the vice-chairman participates, the Board must select a member to chair the meeting.

The group chief executive will prepare matters to be considered by the Board of Directors in consultation with the chairman of the Board. Each matter must be prepared and presented in a manner which provides a satisfactory basis for discussion.

Audit Committee

The Board of Directors in DNB ASA has an Audit Committee that will consist of up to four of the independent board members, with meetings normally held seven to eight times a year. The Audit Committee is a working committee for the Board of Directors, preparing matters and acting in an advisory capacity. Members are elected for a term of up to two years, and the chairman is appointed for a term of one year at a time. The Board of Directors has found it to be beneficial to have one Audit Committee for the entire DNB Group, unless special requirements in countries where the Group is represented requires otherwise. The Audit Committee must have the overall competence required to fulfil its duties based on the organisation and operations of the Group. At least one of the committee members must have relevant accounting or auditing expertise. The purpose, responsibilities and functions of the Audit Committee are in compliance with international rules and standards. See section 10 Risk management and internal control for a further description of the Committee's duties.

Compensation Committee

The Board of Directors of DNB ASA has a Compensation Committee consisting of three members of the company's Board of Directors. The committee normally meets three to four times a year. The committee puts forth a recommendation for the Board of Directors' guidelines for remuneration to senior executives in accordance with Section 6-16a in the Public Limited Companies Act. The committee draws up proposals and issues recommendations to the Board of Directors regarding the remuneration awarded to the group chief executive and acts in an advisory capacity to the group chief executive with respect to the remuneration and other important personnel-related matters concerning members of the group management team and any others reporting to the group chief executive.

No deviations from the Code of Practice.

SECTION 10

RISK MANAGEMENT AND INTERNAL CONTROL

Monitoring and managing risk is an integral part of financial operations. In DNB, sound risk management is a strategic tool to enhance value generation. Internal control should ensure effective operations and prudent management of risks that could prevent the Group from attaining its business targets.

Item A below describes how the work on risk management and internal control in the Group

is organised, implemented and followed up. The Board of Directors' reporting of the main features of internal control relating to financial reporting is described in item B below.

The Group's report on capital adequacy requirements and risk management, the Pillar 3 report, includes a description of risk management and framework structure, capital management and capital calculations, in addition to the assessment and monitoring of various types of risk. In addition, DNB's adaptations to and compliance with the capital adequacy requirements are described. The report is available on the Group's website dnb.no/about-us.

A) Organisation, implementation and monitoring

Internal control in DNB is based on the framework from the Committee of Sponsoring Organizations of the Treadway Commission, COSO.

Organisation and responsibilities

Boards of Directors

The Board of Directors of DNB ASA, the holding company board, has principal responsibility for the Group's business operations, which includes ensuring that operations, financial reporting and asset management are subject to adequate control. The DNB Group has approved a number of guidelines to support this, such as:

- ethics and corporate social responsibility
- DNB's management model
- governance and effective operations
- risk management
- shareholder relations
- authorisations
- the Board of Directors and Audit Committee
- communication
- employees, including remuneration
- financial management, including financial reporting

The holding company board has approved DNB's group policy for risk management, which should serve as a guide for DNB's overall risk management and describes the ambitions for, attitudes to and work on risk in the DNB Group. The Group's capitalisation policy shall ensure that the Group's equity is adapted to the scope and risk profile of operations, based on the authorities' capital adequacy requirements and DNB's internal estimated capital requirements. The Board of Directors continually monitors the Group's capital situation. DNB Bank ASA and its subsidiaries, the banking group, aims to maintain an AA level rating for ordinary long-term debt.

The profitability of DNB will depend on the Group's ability to identify, manage and accurately price risk arising in connection with financial services. The Board of Directors of DNB ASA has a clearly stated goal to maintain a low risk profile and will only assume risk which is comprehensible and possible to follow up, and which will not harm its reputation. The Group's credit policy is laid down in a joint meeting of the Boards of Directors of the holding company and DNB Bank ASA. The bank's Board of Directors determines credit strategies and annual limits for liquidity risk and market risk for the banking group. Market risk reflects equity, currency, interest rate and commodity exposure. The Boards of Directors of the other operative companies in the Group, e.g. DNB Livsforsikring, set limits for relevant risks pertaining to their operations.

The holding company board carries responsibility for ensuring that the Group is adequately capitalised relative to the risk and scope of operations and that capital requirements stipulated in laws and regulations are met. Rules have also been worked out for internal control and operational risk management at group level.

The holding company board has approved rules governing ethics and corporate social responsibility which should help raise awareness of and ensure compliance with the ethical standards required in the Group. According to the Group's code of ethics, employees must promptly inform their immediate superior or the group executive vice president, Group Audit, if they obtain knowledge about circumstances that are contrary to prevailing regulations issued by the authorities or about major breaches of internal regulations.

Internal and external reporting shall be of high quality, and the Group shall comply with relevant laws, regulations and internal guidelines, including the Group's values and rules governing ethics and corporate social responsibility. The organisational structure of DNB aims to ensure independent risk reporting.

Group chief executive and executive bodies
The group chief executive is responsible for implementing risk management measures that help achieve targets for operations set by the holding company board, including the development of effective management systems and internal control.

The group management meeting is the group chief executive's collegiate body for management at group level. All important decisions concerning risk and capital management will generally be made in consultation with the group management team.

The group management meetings are attended by the group executive vice presidents in charge of the business areas and staff and support units. A number of advisory bodies have been established to assist in preparing documentation and implementing monitoring and control within various specialist areas:

- The Asset and Liability Committee, ALCO, is an advisory body for the chief financial officer and handles matters relating to the management of market and funding risk, risk modelling, capital structure and return targets.
- The Group has three central credit committees: the Group Advisory Credit Committee, the Advisory Credit Committee for Large Corporates and International, and the Advisory Credit Committee for Retail Banking. The Group Advisory Credit Committee approves large credits for Large Corporates and International and Retail Banking according to assigned authorisations and advises the group chief executive and the Board of Directors in connection with large individual credit proposals and other credits of an extraordinary nature. The committee plays a key role in formulating the Group's credit policy, credit strategies and credit regulations, as well as in assessing portfolio risk. The Credit Committees for Large Corporates and International and for Retail Banking approve other credits according to assigned authorisations for the respective business areas.
- The Investment Committee is an advisory body with respect to the Group's purchases and sales of equity instruments in the bank's strategic and financial equity portfolios. Decisions on purchases and sales are delegated based on authorised amounts and trading limits. Decisions on transactions in excess of NOK 250 million must be presented to the bank's Board of Directors.
- The Operational Risk and Compliance Committee helps ensure effective and consistent monitoring and reporting of operational risk throughout the Group. A key task is to make sure that the Group's routines relating to internal control and quality assurance are designed to provide added value relative to group operations.

Group Finance and Risk Management
Group Finance and Risk Management has overall responsibility for risk measurement and management and internal control and for assessing and reporting the Group's overall risk situation. The Group Risk Management division is organised in Group Finance and Risk Management and is headed by the Group's chief risk officer. All of the Group's risk entities are organised in this division.

Group Compliance
DNB shall comply with all laws and regulations applicable to the Group's operations, hereinafter referred to as compliance. The Board of Directors has approved a compliance policy which describes the main principles for compliance and how the compliance function is organised in the Group. The compliance function is an independent function which identifies, evaluates, gives advice on, monitors and reports on the Group's compliance risk. In all business areas and support units, as well as in large subsidiaries and international entities, compliance officers have been appointed with responsibility for ensuring compliance with relevant regulations.

Audits
Independent and effective audits will help ensure satisfactory risk management and internal control, as well as reliable financial reporting. Group Audit receives its instructions from the holding company board, which also approves the department's annual plans and budgets.

Group Audit's responsibilities can broadly be divided in two:
- On behalf of DNB ASA, the group chief executive and the Boards of Directors of the companies in the Group, verify that adequate and effective risk management and internal control are in place
- Assess whether risk identification, established management processes and control measures effectively contribute to strengthening the Group's ability to reach its targets

Information about the statutory auditor can be found in section 15 below.

Implementation and monitoring
Boards of Directors
The holding company board annually reviews the Group's principal risk areas and internal control. The review, which is based on reporting from the group chief executive, aims to document the quality of the work performed in key risk areas and to identify any weaknesses and needs for improvement. The review should ensure that changes in the risk situation are identified, so that the necessary improvement measures can be implemented.

The Audit Committee monitors the Group's internal control and risk management systems and makes sure that they function effectively. The Audit Committee also evaluates the quality of the work performed by the internal auditors. The Boards of Directors of DNB Bank ASA, DNB Livsforsikring ASA and other significant subsidiaries annually evaluate the companies' key risk areas and internal control.

Every four months, the Audit Committee and the Boards of Directors of the holding company and the bank receive a report on developments in the Group's defined risk categories. The Group's risk is measured in the form of risk-adjusted capital requirements, calculated for main risk categories and for all of the Group's business areas. In addition, risk is followed up through supplementary risk measures adapted to operations in the various business areas, for example monitoring of exposure relative to limits, key figures and portfolio risk. The Board of Directors of DNB Livsforsikring ASA receives periodic reports analysing the company's risk situation.

Information about the Group's risk situation is made available to the market, shareholders and the authorities through quarterly reports.

Group chief executive and executive bodies
The basis for risk management in DNB is that individual managers in the Group are responsible for risk within their own area of responsibility and must therefore have the necessary insight into and understanding of the relevant unit's risk situation, thus ensuring that the management of such risk is financially and administratively sound.

The group chief executive has issued more detailed guidelines concerning the implementation of the group credit policy and credit strategies. Each business area manages its own credit processes based on such guidelines.

Risk in DNB Livsforsikring is monitored by measuring the overall decline in value which the company would be able to cover while meeting statutory minimum capital requirements.

All units in the Group carry out an annual risk review which includes:
- comments to the unit's work on risk management and internal control
- risk assessments
- an evaluation of compliance with external and internal regulations
- planned improvement measures

Reporting takes place at department level and forms the basis for aggregate reports for business areas and support units, which in turn are included in the group chief executive's reports to the holding company board. Where assessments identify particularly serious risks, these should be reported along with an indication of relevant improvement measures.

Group Finance and Risk Management
Group Risk Management prepares periodic reports to the Boards of Directors of the holding company and the bank regarding developments in the various risk categories. The group chief credit officer presents a report to the bank's Board of Directors regarding the trend in the banking group's credit risk. The Group's risk is measured in the form of risk-adjusted capital requirements. Calculations of the business areas' capital requirements are based on the Group's internal risk model, see the chapter "Capital" in the Group's report on capital adequacy requirements and risk management, the Pillar 3 report, which is available on dnb.no/about-us. Return on risk-adjusted capital is a factor in product pricing, profit calculations and in monitoring performance in the business areas.

Group Compliance
The group compliance officer, GCO, is responsible for the Group's overall control of and reporting of compliance risk and any breach of laws and regulations pertaining to the Group. The GCO is organised the Group Risk Management division and reports to the Board

of Directors through the group chief executive at least once a year. Compliance officers in the business areas and support units issue periodic reports on the current status and on any violations of regulations to the GCO and to the heads of their respective units. The identification, assessment and monitoring of the Group's risk of errors in financial reporting is carried out by Group Financial Reporting on behalf of the chief financial officer.

Group Audit
Group Audit carries out operational and financial audits of units in the DNB Group. An audit plan is prepared, which is discussed with group management, reviewed by the Audit Committee and approved by the Board of Directors. Group Audit's risk assessments form the basis for determining which units should be given priority in the auditing process. Special audit reports are prepared, which include the results of the audit, a description of any identified weaknesses or deficiencies, proposed measures, a specification of responsible persons and deadlines for the implementation of proposed measures. The audit reports are sent to the heads of the relevant audited units, while the companies' Boards of Directors receive a summary report. An audit summary, reviewing all of the units in the DNB Group, is presented to the Board of Directors of DNB ASA once every six months. The Board of Directors of DNB Bank ASA receives a monthly summary of the audit reports for the units in the DNB Bank Group. The Boards of Directors of DNB Livsforsikring and DNB Asset Management Holding AS receive quarterly summaries of audit reports for their respective units. Reports from Group Audit are also presented to the Control Committee and the statutory auditor.

Statutory auditor
The statutory auditor must provide a report to the Audit Committee on the main features of the audit carried out in the previous accounting year, including particular mention of any material weaknesses identified in internal control relating to the financial reporting process.

Supervisory authorities
The operations of the DNB Group are supervised by Finanstilsynet (the Financial Supervisory Authority of Norway). Among other things, Finanstilsynet reviews annual and interim reports and the Group's Internal Capital Adequacy Assessment Process, ICAAP. The Board of Directors aims to have an open and constructive dialogue with Finanstilsynet.

B) The Board of Directors' reporting of the key components of internal control over financial reporting
There shall be low operational risk in DNB. The group guidelines for financial reporting set clear quality requirements. A description of how the Group's work on internal control over financial reporting is organised, implemented and followed is given below.

Organisation and responsibilities
The Board of Directors of DNB ASA, represented by the Audit Committee, reviews the financial reporting process. The Board of Directors of DNB ASA has prepared guidelines to ensure reliable, relevant, timely and uniform reporting to shareholders and other capital market participants. The guidelines also cover internal needs. Together, these are called guidelines for financial reporting. The guidelines set quality assurance requirements for the financial reporting process applying to all units in the Group, including requirements to avoid any manipulation of the accounts.

The Audit Committee will supervise the financial reporting process and ensure that the Group's internal control, including the internal audit and risk management system, functions effectively. Among other things, the Audit Committee reviews the quarterly and annual accounts and the report on developments in the Group's main risk categories, issued every four months. In addition, the Audit Committee shall ensure that the Group has independent and effective external audit procedures. The committee also reviews the annual accounts of DNB ASA, the statutory and consolidated accounts of DNB Bank ASA and DNB Livsforsikring ASA and the annual accounts of DNB Boligkreditt AS.

Group Finance and Risk Management is headed by the chief financial officer and is organised outside the business areas. The head of Group Financial Reporting reports to the chief financial officer and is responsible for matters such as financial reporting, budgets and financial plans, direct and indirect taxes and the internal control over financial reporting in the Group.

The heads of reporting units are responsible for ongoing financial monitoring and reporting. All these units have management teams and accounting units adapted to their organisation and operations. Managers must ensure that adequate and effective internal control is implemented in accordance with established requirements, and are responsible for complying with these requirements.

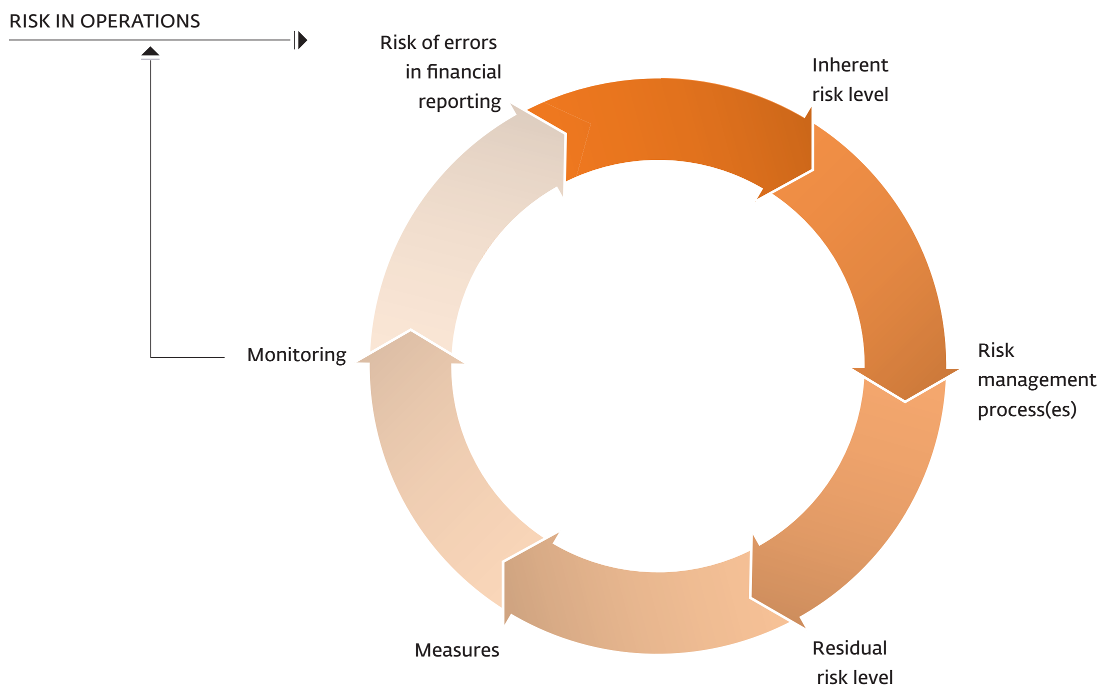
Financial reporting for the DNB Group, the DNB Bank Group and DNB Livsforsikring ASA is reviewed by Group Audit on a quarterly basis. The annual accounts of all the companies in the DNB Group are audited by the statutory auditors, who, within the limits stipulated in international standards on auditing and quality control, ISA, cooperate with Group Audit.

Implementation and monitoring
The internal control process over financial reporting in DNB is illustrated in the figure below.

The basis for the internal control is an assessment of whether DNB's operations entail a risk of errors in financial reporting. Thereafter, the inherent risk level is considered, which represents risk *before* internal control is established. Processes which handle the risks are identified and determine the total scope of the internal control. The residual risk level, that is risk *after* the established internal control measures have been implemented, is defined, and it is assessed whether it will be necessary to implement additional measures to strengthen the internal control. The results of the internal control are followed up on an ongoing basis.

Reporting units
The heads of the reporting units are responsible for implementing adequate and effective internal control in accordance with established requirements, as well as for complying with these requirements. Every year, the units will make an evaluation of compliance with external and internal regulations and report the results of the internal control along with planned improvement measures to the head of Group Financial Reporting.

PROCESS FOR INTERNAL CONTROL OVER FINANCIAL REPORTING IN THE DNB GROUP



Group Financial Reporting

On behalf of the chief financial officer, the head of Group Financial Reporting identifies, assesses and monitors the risk of errors in the Group's financial reporting in cooperation with the heads of the reporting units. The risk assessment is considered by the Group's Audit Committee.

Group Finance and Risk Management prepares financial reports for the DNB Group and ensures that such reporting is in line with prevailing legislation, accounting standards, current accounting principles and guidelines from the Board of Directors. The head of Group Financial Reporting prepares guidelines which explain the requirements to be fulfilled by the local units. Processes and a number of control measures have been prepared to ensure that financial reporting is of high quality. The measures include rules concerning authorisations, the division of responsibilities, reconciliation, change management, IT controls and management reviews.

An annual process has been established for self-assessments of the level of and effectiveness of the internal control of financial reporting. The head of Group Financial Reporting reviews the units' and the Group's financial reporting and assesses any errors, deficiencies and needs for improvement. An overall report is submitted to the chief financial officer, group management, the Group's Audit Committee and the Board of Directors of DNB ASA in connection with their review of the Group's annual accounts.

Group management team

The group chief executive and the chief financial officer will continually consider the financial results and target attainment of the business areas as well as critical aspects and events which will affect their future performance and optimal resource utilisation. A review covering, inter alia, these subjects, will be made in cooperation with the individual business areas at least on a quarterly basis. At the meetings, the risks associated with financial reporting, both in the short and the long term, are assessed. The group chief executive, the chief financial officer, managers in the relevant unit and relevant experts participate in the meetings, which are chaired by the group chief executive. The chief financial officer reviews such matters with the support units when required.

The group management team will review monthly financial reporting, including trends in profit and loss and balance sheet items, the current status relative to statutory enactments, results for legal units and analyses of and comments to the financial performance of business areas and support units.

Audit Committee, Board of Directors and general meeting

The Audit Committee reviews quarterly financial reporting for the DNB Group. The committee makes a thorough review of discretionary assessments and estimates in addition to any changes in accounting practice. In connection with its review of the accounts, the Committee has discussions with management, Group Audit and the statutory auditor. The Committee considers group management's annual self-assessment of the level of and effectiveness of the internal control of financial reporting.

At least once a year, the Committee has separate meetings with the statutory auditors and the group chief audit executive without any members from management present. The Audit Committee considers the quarterly accounts and the proposed annual accounts for DNB ASA and the DNB Group. After the quarterly accounts and proposed annual accounts for the respective companies have been reviewed by the executive management and the Audit Committee, they are considered by the Boards of Directors of DNB ASA and DNB Bank ASA. The annual accounts are approved by the general meeting.

The Audit Committee also considers the quarterly accounts and the proposed statutory and consolidated accounts of DNB Bank ASA and DNB Livsforsikring ASA and the statutory accounts of DNB Boligkreditt AS. The Board of Directors of DNB Livsforsikring ASA considers the quarterly accounts and the proposed annual accounts. The annual accounts are approved by the respective companies' general meetings.

Group Audit

Group Audit participates in the auditing of the annual accounts of the DNB Group and of some of its sub-groups and subsidiaries, and also reviews the quarterly accounts. As part of the audit, Group Audit assesses the established internal control over financial reporting. The results of the financial audit for the DNB Group are reported to the Audit Committee each quarter. In addition, the results of the financial audit of the statutory and consolidated accounts of DNB Bank ASA and DNB Livsforsikring ASA and the statutory accounts of DNB Boligkreditt AS are reported to the Audit Committee on an annual basis. Every year, a report is prepared which summarises the results of the financial audit. The report accounts for any weaknesses and deficiencies, proposes relevant measures and stipulates deadlines for the implementation of the proposed measures. The report is sent to those who are responsible for financial reporting in the audited units/companies for comment before being considered by the Board of Directors of DNB ASA.

No deviations from the Code of Practice.

SECTION 11

REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration paid to members of the Board of Directors, proposed by the Election Committee and approved by the Supervisory Board, is not performance-based or linked to options in DNB ASA. The Board of Directors must approve any remuneration from the company to members of the Board of Directors other than ordinary remuneration for their service on the Board of Directors, Audit Committee and Compensation Committee and inform the Supervisory Board of such matters. Note 50 to the annual accounts for the DNB Group shows remunerations to senior executives and elected officers in DNB ASA.

No deviations from the Code of Practice.

SECTION 12

REMUNERATION OF THE EXECUTIVE PERSONNEL

Guidelines for executive pay

DNB's guidelines for determining remunerations to the group chief executive and other members of the group management team should, at all times, support prevailing strategy and values, while contributing to the attainment of the Group's targets. The total remuneration to the group chief executive and other senior executives consists of basic salary (main element), benefits in kind, variable salary, pension and insurance schemes. When determining the variable remuneration of the group chief executive and other senior executives for 2011, stronger emphasis has been placed on group measurement parameters for financial key figures, customer satisfaction and corporate reputation.

In accordance with the new regulations on remuneration schemes in financial institutions, investment firms and management companies for mutual funds, along with appurtenant regulations, DNB has adapted its variable remuneration scheme for senior executives. In addition, the Group has identified senior executives, risk takers and independent control functions etc,. hereinafter called risk takers. Remuneration to the group chief executive and other risk takers is described in further detail below.

Group chief executive

The total remuneration to the group chief executive is determined on the basis of a total evaluation based, among other things, on market comparisons and reputational aspects. The remuneration should be competitive, but not market-leading.

The variable remuneration of the group chief executive is performance-based and determined on the basis of financial risk-adjusted profits, economic profit, the DNB Group's measured customer satisfaction and corporate reputation, as well as an overall assessment related to the Group's values and leadership principles. The variable remuneration of the group chief executive cannot exceed 50 per cent of fixed salary. Minimum 50 per cent of variable remuneration is paid in the form of shares in DNB ASA, with minimum holding periods of one year for one-third of the shares, two years for one-third of the shares and three years for the final one-third of the shares.

Other risk takers

The total remuneration to other risk takers is determined based on the need to offer competitive, but not market-leading terms, promote the Group's competitiveness in the labour market and enhance profitability in line with the Group's income and cost targets. The total remuneration must neither pose a threat to DNB's reputation nor be market-leading, but should ensure that DNB attracts and retains senior executives with the desired skills and experience.

Variable remuneration is determined based on whether specific group targets have been met, and on defined targets within the individual executive's area of responsibility. In addition, an overall assessment is made of total target attainment, based on the Group's values and leadership principles and individual contributions to each unit's target attainment.

The variable remuneration scheme should be performance-based without exposing the Group to unwanted risk, and should pose no threat to DNB's reputation. Variable remuneration cannot exceed 50 per cent of fixed salary. Minimum 50 per cent of variable remuneration is paid in the form of shares in DNB ASA, with minimum holding periods of one year for one-third of the shares, two years for one-third of the shares and three years for the final one-third of the shares. The level of variable remuneration in DNB is considered to be moderate relative to prevailing levels in comparable international financial institutions and large Norwegian groups of companies.

The Board of Directors' statement concerning executive remunerations

The Board of Directors presents a statement to the general meeting proposing guidelines for remunerations to senior executives. The statement and information about remunerations paid to the individual members of the group management team can be found in note 50 to the annual accounts for the DNB Group.

Other aspects

No employees in the DNB Group have any outstanding subscription rights etc. See also the description of the Board of Directors' Compensation Committee in Section 9 above.

No deviations from the Code of Practice.

SECTION 13

INFORMATION AND COMMUNICATIONS

The Group presents the Norwegian and international markets with extensive analytical information in connection with the quarterly reporting of financial information and presentations on particular topics. Parallel to this, the same information is made available to all interested parties on the websites of Oslo Børs and the Group.

Guidelines have been drawn up for the reporting of financial information to shareholders, investors and analysts. The guidelines also cover the Group's contact with shareholders other than through general meetings. The guidelines are based on openness and take into account the requirement for equal treatment of all participants in the market. They can be found on the Group's website dnb.no.

An overview of the dates for major events such as the annual general meeting, the publication of interim reports, public presentations and dividend payments is published on the Group's website.

All DNB employees have access to the guidelines for financial reporting, including requirements for the internal control of financial reporting. Group Finance and Risk Management holds regular meetings with units in the Group to give information about and increase the understanding of the requirements for internal control of financial reporting.

No deviations from the Code of Practice.

SECTION 14

CORPORATE TAKE-OVERS

The Board of Directors of DNB ASA will handle any take-over bids in compliance with the principle of equal treatment of shareholders. Parallel to this, the Board will help ensure that shareholders are given adequate information in all situations that will affect shareholder interests. Cf. section 4, which gives an account of the Norwegian government's intention to retain its 34 per cent holding in DNB ASA, as required by the Norwegian parliament.

Deviations from the Code of Practice: The Board of Directors has chosen not to determine explicit guiding principles on how to act in the event of a take-over bid. The background for this exception is that the Norwegian government owns 34 per cent of the shares in DNB ASA, making such principles not very relevant. The Board of Directors otherwise endorses the wording in this section of the Code.

SECTION 15

STATUTORY AUDITOR

The statutory auditor annually submits a plan for the audit to the Audit Committee and Control Committee. Guidelines have been drawn up in respect of relations with the statutory auditor, including restrictions on what additional services can be undertaken, approval of fees and guidelines to invite tenders for external audit services. In accordance with the guidelines, the audit partner can normally not audit DNB's annual accounts for more than five consecutive years. At the end of the period, tenders should normally be invited from several auditing firms.

The Audit Committee submits a recommendation regarding the choice of statutory auditor to the Board of Directors. The proposal is thereafter presented to the Supervisory Board, which submits a recommendation to the General Meeting. At least once a year, the Audit Committee holds a meeting with the auditors at which neither the group chief executive nor any other member of executive management is present.

The Audit Committee submits a recommendation regarding the statutory auditor's remuneration to the Board of Directors, which presents the remuneration proposal to the Annual General Meeting for approval.

The statutory auditor must provide a report to the Audit Committee on the main features of the audit carried out in the previous accounting year, including particular mention of any material weaknesses identified in internal control relating to the financial reporting process. The auditor must also provide the Audit Committee with:

- an annual written confirmation of the auditor's independence,
- information on services other than statutory audit provided to the company during the course of the financial year,
- information on any threats to the auditor's independence, and documentary evidence of the measures implemented to combat such threats.

No deviations from the Code of Practice.

GOVERNING BODIES IN DNB ASA

SUPERVISORY BOARD

Members elected by shareholders
Amund Skarholt, Oslo (chairman) (1 222)
Eldbjørg Løwer, Kongsberg (vice-chairman) (200)
Inge Andersen, Oslo (0)
Nils Halvard Bastiansen, Bærum (0)
Toril Eidesvik, Bergen (0)
Camilla Marianne Grieg, Bergen (0)
Leif O. Høegh, Oslo (0)
Nalan Koc, Tromsø (0)
Tomas Leire, Kristiansand (0)
Per Otterdahl Møller, Skien (0)
Dag J. Opedal, Oslo (1 705)
Ole Robert Reitan, Asker (0)
Gudrun B. Rollefsen, Hammerfest (0)
Arthur Sletteberg, Stabekk (2 444)
Merete Smith, Oslo (0)
Birger Solberg, Oslo (10 888)
Ståle Svenning, Trondheim (0)
Turid Sørensen, Sandefjord (0)
Gine Wang, Stavanger (0)
Hanne Rigmor Egenæss Wiig, Halden (1 705)

Deputies elected by shareholders
Erik Buchmann, Oslo (600)
Turid Dankertsen, Oslo (1 767)
Rolf Domstein, Måløy (0)
Harriet Hagan, Alta (244)
Bente Hagem, Ås (0)
Rolf Hodne, Stavanger (0)
Liv Johannson, Oslo (3 031)
Herman Mehren, Nevlunghamn (10)
Gry Nilsen, Drammen (0)
Asbjørn Olsen, Skedsmo (1 313)
Oddbjørn Paulsen, Bodø (0)
Anne Bjørg Thoen, Oslo (416)
Elsbeth Sande Tronstad, Stabekk (0)
Lars Wenaas, Måndalen (750 000)

Members elected by employees
Rune Asprusten, Hong Kong (2 644)
Bente H. Espenes, Oslo (186)
Willy Furunes, Bodø (852)
Bjørn Hennum, Drammen (488)
Einar Pedersen, Kristiansund (93)
Eli Solhaug, Oslo (3 145)
Marianne Steinsbu, Oslo (3 630)
Britt Sæle, Fjell (1 546)
Astrid Waaler, Oslo (0)
Arvid Åsen, Fjell (603)

Deputies elected by employees
Tore Müller Andrésen, Bergen (0)
Terje Bakken, Alta (636)
Randi Bergsveen, Vestre Toten (0)
Rune André Bernbo, Drøbak (213)
Bertil Einvik, Trondheim (560)
Lillian Hattrem, Oslo (0)
Eva Holter, Drammen (4 294)
Svein Arne Kristoffersen, Alstadhaug (173)
Svein-Ove Kvalheim, Bønes (1 852)
Irene Buskum Olsen, Gjøvik (551)
Oddmunn Olsen, Trondheim (809)
Ingvild Rekdal, Oslo (346)
Sissel Tove Rist, Svolvær (0)
Viktor Sæther, Oslo (0)
Bente Wigaard, Oslo (0)

CONTROL COMMITTEE

Members
Frode Hassel, Trondheim (chairman) (0)
Thorstein Øverland, Oslo (vice-chairman) (0)
Svein Nordvald Eriksen, Oslo (0)
Karl Olav Hovden, Kolbotn (0)

Deputies
Svein Brustad, Hvalstad (0)
Merete Smith, Oslo (0)

BOARD OF DIRECTORS

Members
Anne Carine Tanum, Rømskog (chairman) (300 000)
Bjørn Sund, Lysaker (vice-chairman) (31 196)
Jarle Bergo, Ytre Enebakk (0)
Bente Brevik, Oslo (5 000)
Sverre Finstad, Moelv (7 931) [1)]
Carl A. Løvvik, Bergen (116) [1)]
Tore Olaf Rimmereid, Oslo (6 111)
Ingjerd Skjeldrum, Drammen (6 288) [1)]

Deputies for the employee representatives
Jørn O. Kvilhaug, Hokksund (781) [1)]
Jorunn Løvås, Fjell (93) [1)]
Hans-Kristian Sætrum, Oslo (9 496) [1)]

ELECTION COMMITTEE

Amund Skarholt, Oslo (chairman) (1 222)
Eldbjørg Løwer, Kongsberg (200)
Per Otterdahl Møller, Skien (0)
Arthur Sletteberg, Stabekk (2 444)
Reier Ola Søberg, Oslo (0)

AUDIT COMMITTEE

Tore Olaf Rimmereid, Oslo (chairman) (6 111)
Bente Brevik, Oslo (5 000)
Jarle Bergo, Ytre Enebakk (0)

COMPENSATION COMMITTEE

Anne Carine Tanum, Rømskog (chairman) (300 000)
Bjørn Sund, Lysaker (31 196)
Tore Olaf Rimmereid, Oslo (6 111)

GROUP MANAGEMENT

Group chief executive
Rune Bjerke (23 386)
CFO
Bjørn Erik Næss (28 367)
Group executive vice president
Retail Banking
Karin Bing Orgland (7 840)
Group executive vice president
Large Corporates and International
Leif Teksum (48 236)
Group executive vice president
DNB Markets
Ottar Ertzeid (148 961)
Group executive vice president
Insurance and Asset Management
Tom Rathke (14 363)
Group executive vice president
Operations
Liv Fiksdahl (8 655)
Group executive vice president HR
Solveig Hellebust (3 713)
Group executive vice president IT
Cathrine Klouman (16 519)
Group executive vice president
Marketing, Communications and eBusiness
Trond Bentestuen (4 882)
Group executive vice president
Corporate Centre
Kari Olrud Moen (7 492)

GROUP AUDIT

Tor Steenfeldt-Foss (0)

EXTERNAL AUDITOR

Ernst & Young AS

1) Not independent, see page 18 under "Corporate governance".

The figures in parentheses indicate shareholdings in DNB ASA as at 31 December 2011. Shares held by the immediate family and companies in which the shareholder has such influence as stated in Section 7-26 of the Act relating to annual accounts etc. are also included.

BOARD OF DIRECTORS

ANNE CARINE TANUM (BORN 1954)

Chairman of the board in DNB and DNB Bank (board member since 1999)
Former board member in DnB Holding, Den norske Bank and Vital Forsikring. Board chairman in the House of Literature Foundation, Kilden IKS and Oslo Kino AS. Board member in the South-Eastern Norway Regional Health Authority, Cappelen Damm AS, Try AS, the Henie Onstad Art Centre and IRIS. Former board chairman in the Norwegian Broadcasting Corporation (NRK), board vice-chairman in the Norwegian National Opera and long-standing managing director and owner of Tanum AS. Tanum holds a law degree from the University of Oslo.

Attended 14 of 14 board meetings in 2011.

BJØRN SUND (BORN 1945)

Board vice-chairman in DNB (board member since 1999)
Sund headed the work of building the new university hospital in Akershus. Managing director and board chairman in Advansia, a company specialising in project and construction management for large and complex projects. Board vice-chairman in Gassnova SF. Former board chairman in Gjensidige NOR and board member in Union Bank of Norway. Sund headed the development of the Winter Olympics site at Lillehammer, the Gardermoen airport project and the Telenor project at Fornebu. He is in charge of the Bjørvika Cultural Buildings project for the City of Oslo. Sund is a graduate of the Norwegian University of Technology in Trondheim.

Attended 12 of 14 board meetings in 2011.

JARLE BERGO (BORN 1945)

Board member in DNB and board vice-chairman in DNB Bank since 2011
Bergo held various positions in Norges Bank from the late 1960s and ended his career as deputy governor in 2008. Alternate executive director of the International Monetary Fund (IMF) until year-end 2010. Previously business manager for the Norwegian Banks' Guarantee Fund and a member of the Board of Directors of Oslo Børs (the Oslo Stock Exchange). Member of various committees and expert groups, including the Council of Ethics for the Government Pension Fund – Global in 2002. Bergo holds an economics degree from the University of Oslo.

Attended 7 of 14 board meetings in 2011 (elected to the Board on 16 June 2011).

BENTE BREVIK (BORN 1964)

Board member in DNB since 2010
Brevik is managing director of Stabburet AS and a member of Orkla Foods Nordic's management team. Board member in Dagligvareleverandørenes Forening (Grocery Manufacturers of Norway), Bakers AS and Procordia Food AB. She has previously held various positions in Nidar AS, Varta Battery AS and SC Johnson. Brevik is a graduate of BI Norwegian Business School.

Attended 12 of 14 board meetings in 2011.

SVERRE FINSTAD (BORN 1955)

Board employee representative in DNB and DNB Bank since 2011
Finstad was also a DNB board member during previous periods and a former board member in Gjensidige NOR Sparebank. Vice-chairman of the Finance Sector Union, Hedmark region. He was employed in Ringsaker Sparebank in 1977 and has been a full-time employee representative since 1986.

Attended 7 of 14 board meetings in 2011 (elected to the Board on 16 June 2011).

CARL A. LØVVIK (BORN 1952)

Board employee representative in DNB since 2011
Løvvik currently works as a chief safety representative and employee representative in DNB. He was employed as an insurance agent in 1988 and has worked within marketing and as a manager at DNB's Customer Service Centre.

Attended 7 of 14 board meetings in 2011 (elected to the Board on 16 June 2011).

TORE OLAF RIMMEREID (BORN 1962)

Board member in DNB since 2008
Former board member in DnB NOR Bank. President and CEO of E-CO Energi AS, previous head of the Finance and Administration Department in the Norwegian Broadcasting Corporation (NRK) and group executive vice president, Financial Reporting and Finance, in the SpareBank 1 Group. He has held various positions in Christiania Bank. Is former political adviser for the Conservative Party's parliamentary group and is now board chairman in Oslo Lysverker, Opplandskraft DA and Oslo Teknopol IKS. Rimmereid has a master's degree in business administration and is an authorised financial analyst from the Norwegian School of Economics.

Attended 13 of 14 board meetings in 2011.

INGJERD SKJELDRUM (BORN 1957)

Board employee representative in DNB and DNB Bank since 2002
Full-time employee representative since 1990 and chief group employee representative for Union Bank of Norway from February 2000. Group employee representative in DNB since 2003. Member of the national board of the Finance Sector Union. She is a former board member in Union Bank of Norway and Gjensidige NOR and has held positions within the retail market in Gjensidige NOR.

Attended 12 of 14 board meetings in 2011.

THE CUSTOMERS

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, and a number of other measures were implemented to create a better customer experience.

DIRECTORS' REPORT

DNB is Norway's largest financial services group and one of the largest in the Nordic region in terms of market capitalisation. The Group offers a full range of financial services, including loans, savings, advisory services, insurance and pension products for retail and corporate customers and the public sector. DNB serves customers in Norway through the country's largest distribution network for financial services, a 24/7 customer service telephone and electronic services such as Internet and SMS banking, with more than 125 million transactions in the course of 2011. DNB is among the world's leading banks within its international priority areas, especially the energy, shipping and seafood sectors. The Group is represented in 19 countries worldwide, with operations in the Scandinavian countries, Finland, the Baltics, Poland, Great Britain, Germany, Greece, Luxembourg, Russia, the US, Chile, Brazil, India, Singapore and China.

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors confirms that the accounts have been prepared on a going concern basis.

Pursuant to Section 3-9 of the Norwegian Accounting Act, DNB prepares consolidated annual accounts in accordance with IFRS, International Financial Reporting Standards, approved by the EU. The statutory accounts of DNB ASA have been prepared in accordance with Norwegian IFRS regulations.

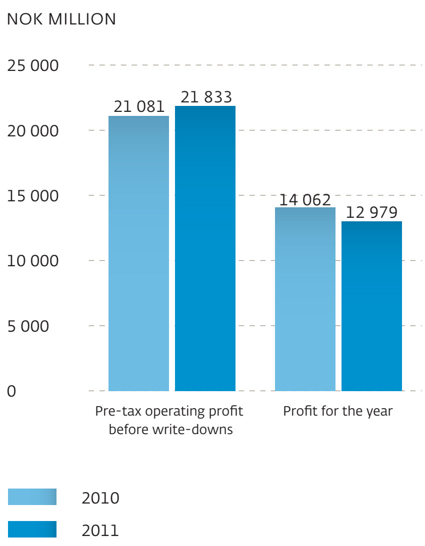
OPERATIONS IN 2011

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.

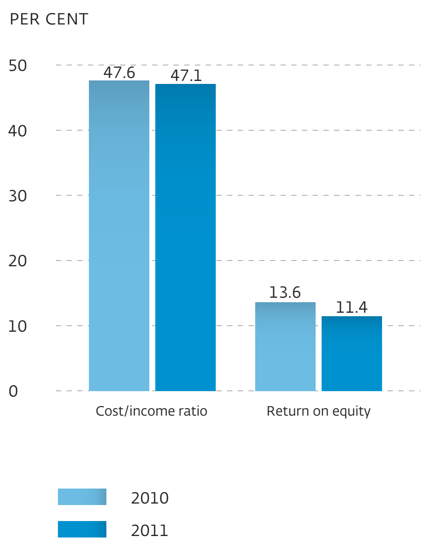
The Group's financial performance in 2011 reflected the extensive financial market turmoil in the second half of the year due to the inability of certain EU countries to service their debt. DNB was affected by falling equity prices and market volatility. However, the Group had no direct exposure to these 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 the corresponding period. There was strong lending growth in the second half 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

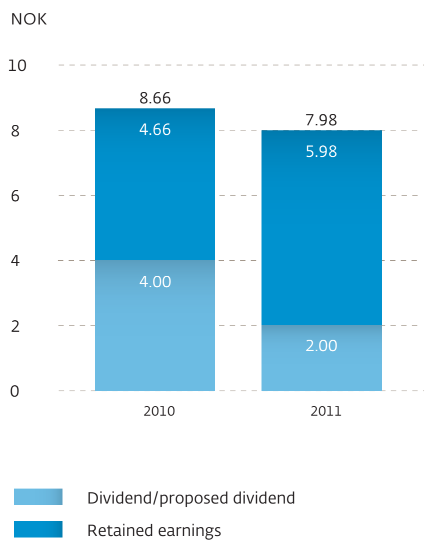
PROFIT PERFORMANCE



COST/INCOME RATIO AND RETURN ON EQUITY



EARNINGS PER SHARE



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. 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. At year-end 2011, the Group's cost programme was on schedule for reaching communicated targets.

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 Bergo, 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, calculated according to the Basel II transitional rules. DNB had permission to use the IRB approach to calculate capital adequacy for approximately 70 per cent of the Group's portfolios at year-end 2011, and the Group is in dialogue with Finanstilsynet (the Financial Supervisory Authority of Norway) to obtain approval for additional portfolios 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 expected 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 thus proposes a dividend for 2011 of NOK 2.00 per share.

The Board of Directors would like to thank all employees for their contribution in making DNB an even better liked bank, with more satisfied customers, while retaining a high level of profitability.

STRATEGY AND TARGETS

DNB's vision and values put the customer in focus. The aim to achieve stronger customer orientation throughout the Group is reflected in DNB's vision, "Creating value through the art of serving the customer". A uniform corporate culture based on the Group's values, "helpful, professional and show initiative", will contribute to improving customer satisfaction. The coordination of the Group's operations under one brand, DNB, with effect from 11 November 2011 is an important part of the process to develop a common corporate identity.

DNB's strategic ambitions remain unchanged. The Group's aim is to strengthen and consolidate its position in Norway, achieve profitable international operations within selected industries and geographic areas, and be among the most productive banks in Europe.

DNB has a unique platform in the Norwegian market by virtue of its large customer base, distribution power and wide range of products. The Group will strengthen and consolidate its position in Norway by offering an extensive distribution system and an attractive and complete range of products which meet customer needs and create values. Relations to large corporates in Norway are based on strong industry expertise and local competitive power.

DNB will continue to ensure profitable international operations by building on its long-term relationships with its largest corporate clients. The Group's core competencies in selected industry sectors and product areas are a central part of the international customer initiatives within shipping, energy and seafood. DNB Baltics and Poland serves both personal and corporate customers in local markets. Operations, especially in the Baltic region, have been seriously affected by the economic downturn, causing a high level of write-downs on loans. During 2011, the operations in the Baltics and Poland were more closely integrated in the Group, and DNB Baltics and Poland is expected to contribute to the Group's long-term profitability.

High priority is given to streamlining operations, and DNB's goal is to be one of the most cost-effective market players in Europe. Important measures to reach this goal are specified in the Group's cost programme, which was extended in 2011. The programme includes the coordination and streamlining of central processes within procurement, IT and other staff and support functions.

DNB will give priority to long-term value creation for its shareholders and aims to achieve a return on equity and a market capitalisation which are competitive in relation to its Nordic peers. The successful implementation of DNB's strategy will result in the Group reaching its long-term financial targets. DNB has previously defined financial targets to be reached by the end of 2012. At the Capital Markets Day in June, new and ambitious financial targets towards 2015 were presented.

FINANCIAL TARGETS

	ACHIEVED IN 2011	TARGET 2012	TARGET TOWARDS 2015
Pre-tax operating profits before write-downs	NOK 21.8 billion	NOK 22-25 billion	NOK 30 billion
Return on equity	11.4%	Above 13%	Above 14%
Annual effect of cost savings – cost programme	NOK 2.0 billion at year-end 2011	NOK 2.3 billion from year-end 2012	NOK 3 billion from year-end 2015
Cost/income ratio	47.1%	Below 46%	Below 45%

The targets were conditional on relatively positive future developments in the macroeconomy and in the general framework conditions for the financial services industry. Due to market developments and stricter capital adequacy and liquidity requirements introduced by the supervisory authorities, it will be challenging to reach these targets in the short term.

The Board of Directors considers DNB to be adequately capitalised.

New requirements from Norwegian and international authorities will necessitate a strengthening of the Group's capital adequacy. The Group's ambitions are reflected in its capitalisation target and dividend policy:

- DNB to be among the best capitalised financial groups in the Nordic region
- AA level ratings for long-term debt for DNB Bank ASA
- dividend payments representing approximately 50 per cent of annual profits

Dividends will be determined on the basis of expected profit levels in a normal situation, external parameters and the need to maintain capital adequacy at a satisfactory level. When considering the dividend proposal for 2011 of NOK 2.00 per share, the Board of Directors has taken the new regulatory capital adequacy requirements into account while focusing on conducting a consistent long-term dividend policy.

REVIEW OF THE ANNUAL ACCOUNTS

NET INTEREST INCOME

Amounts in NOK million	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 gave a NOK 732 million increase in net interest income from 2010 to 2011.

NET OTHER OPERATING INCOME

Amounts in NOK million	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

Amounts in NOK million	2011	Change	2010
Total operating expenses	20 172	1 662	18 511
Non-recurring costs:			
Impairment losses for goodwill and intangible assets		(211)	
Elimination of allocations to the CPA scheme in 2010		367	
Brand development and establishment costs		201	
Income-related items:			
Increase in full-time positions		255	
Operational leasing		87	
København Ejendomme		46	
Performance-based pay		156	
Marketing etc.		98	
Expenses related to operations:			
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 operating expenses		(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 must be viewed in light of higher activity levels and income growth, resulting in an increase in staff numbers. The Group escalated its IT initiatives through the 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.

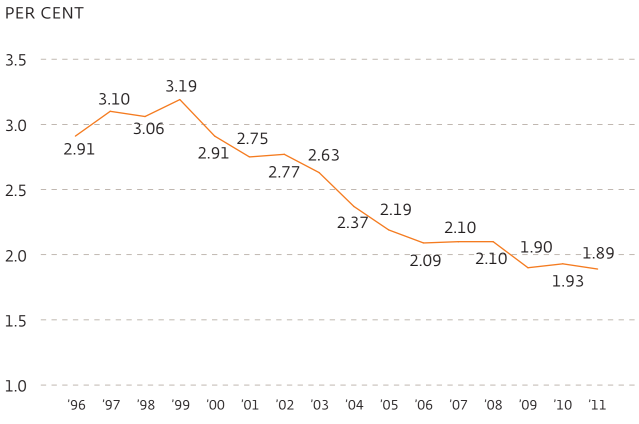
The cost programme was on schedule for reaching the higher targets presented on the Capital Markets Day, entailing cost reductions of NOK 2.3 billion by year-end 2012 and NOK 3 billion by year-end 2015. The programme will be reviewed during the first half of 2012, and further cost measures will be considered.

The development of IT systems represents the major part of the Group's R&D activities. IT systems development expenses totalled NOK 2 272 million in 2011, up from NOK 1 958 million in 2010.

WRITE-DOWNS ON LOANS AND GUARANTEES

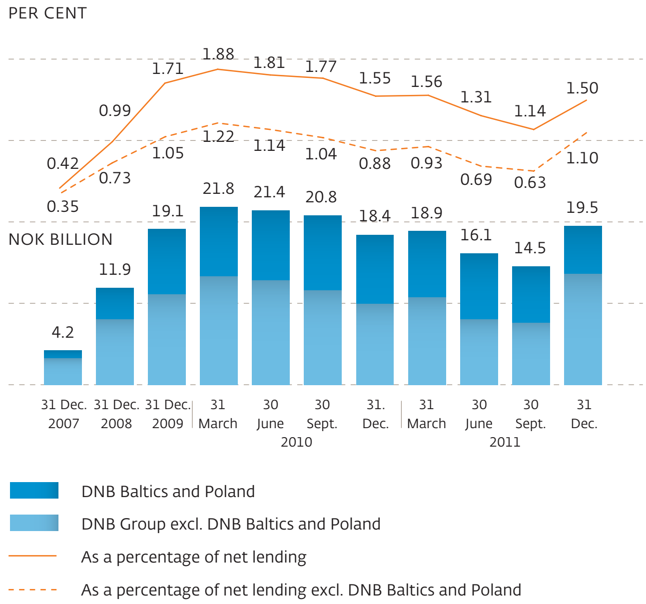
Write-downs on loans and guarantees totalled NOK 3 445 million in 2011, up NOK 448 million from 2010.

DEVELOPMENT IN AVERAGE COMBINED SPREAD [1)]



1) Total margin income on loans and deposits relative to total loans and deposits.

NET NON-PERFORMING AND NET DOUBTFUL COMMITMENTS [1)]



1) Includes non-performing commitments and commitments subject to individual write-downs. Accumulated individual write-downs are deducted.

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 38 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.

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. Towards the end of 2011, a somewhat higher risk of individual losses relating to certain large commitments was identified, requiring limited write-downs. In such cases, the entire commitments are classified as non-performing and doubtful, which explains the rise from 2010. There was no general deterioration in the Group's loan portfolio. 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 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 factor behind the increase was tax-exempt income on equities in DNB Livsforsikring in 2010, while there was a limited extent of such income in 2011.

BALANCE SHEET, LIQUIDITY AND FUNDING

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 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.

CORPORATE GOVERNANCE

The management of DNB is based on the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance. See also the chapter on DNB's compliance with Section 3-3b, second subsection of the Norwegian Accounting Act and the various sections in the Code of Practice.

During 2011, the Board of Directors of DNB ASA held 14 meetings. The Group's strategy, future development and structure were high on the agenda, in addition to the capitalisation of the Group and announced changes in external parameters for the financial services industry.

The Board of Directors has two sub-committees, the Audit Committee and the Compensation Committee. The Audit Committee is composed of three of the Board's independent members and held seven meetings in 2011. The committee reviewed the quarterly and annual accounts and reports on developments in the Group's main risk categories. In addition, the committee reviewed the Group's internal control, including internal control over financial reporting, as well as the quality of the Group's risk management systems and the work of the internal and statutory auditors.

The Compensation Committee consists of three members of the Board of Directors and held six meetings in 2011. The committee draws up proposals and issues recommendations to the Board of Directors regarding the remuneration awarded to the group chief executive and acts in an advisory capacity to the group chief executive with respect to remunerations and other important personnel-related matters relating to the group management team.

In order to ensure an optimal level of capital in the company, on 28 April 2011, the General Meeting authorised the Board of Directors to acquire own shares for a total face value of up to NOK 732 959 487, corresponding to 4.5 per cent of the company's share capital. The shares shall be purchased in a regulated market. Each share may be purchased at a price between NOK 10 and NOK 150.

RISK AND CAPITAL ADEQUACY

ORGANISATION AND MONITORING

The Board of Directors continually monitors the Group's capital situation and aims for DNB Bank ASA to maintain an AA level rating for ordinary long-term debt. The Group will maintain a low risk profile and will only assume risk which is comprehensible and possible to follow up, and which will not harm its reputation. The Group's credit policy is laid down in a joint meeting of the Boards of Directors of the holding company and DNB Bank ASA. The bank's Board of Directors determines credit strategies and annual limits for liquidity risk and market risk for the banking group. Market risk reflects equity, currency, interest rate and commodity exposure. The Boards of Directors of the other operative companies in the Group, e.g. DNB Livsforsikring, set limits for relevant risks pertaining to their operations.

The group management meetings are attended by the group executive vice presidents in charge of the business areas and staff and support units. A number of advisory bodies have been established to assist in preparing documentation and carrying out follow-ups and controls within various specialist areas:

- The Asset and Liability Committee, ALCO, is an advisory body for the chief financial officer and handles matters relating to the management of market and funding risk, risk modelling, capital structure and return targets.
- The Group has three central credit committees: the Group Advisory Credit Committee, the Advisory Credit Committee for Large Corporates and International, and the Advisory Credit Committee for Retail Banking. The Group Advisory Credit Committee approves large credits for Large Corporates and International and Retail Banking according to assigned authorisations and advises the group chief executive and the Board of Directors in connection with large individual credit proposals and other credits of an extraordinary nature. The committee plays a key role in formulating the Group's credit policy, credit strategies and credit regulations, as well as in assessing portfolio risk. The Credit Committees for Large Corporates and International and for Retail Banking approve other credits according to assigned authorisations for the respective business areas.

DEVELOPMENTS IN 2011

While the risk situation showed a positive development in the first half of 2011, it deteriorated in the fourth quarter 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 credit-worthy countries, such as Norway, have fallen to record-low levels. However, Norwegian economic expansion remained brisk in 2011, partly 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.

RISK-ADJUSTED CAPITAL REQUIREMENTS FOR THE DNB GROUP

Amounts in NOK million	31 Dec. 2011	31 Dec. 2010 [1]
Credit risk	50.1	45.5
Market risk	5.2	6.0
Market risk in life insurance	10.6	12.5
Insurance risk	1.8	1.8
Operational risk	8.7	7.7
Business risk	4.7	4.5
Gross risk-adjusted capital	81.2	78.0
Diversification effect [2]	(17.9)	(18.8)
Net risk-adjusted capital	63.3	59.1
Diversification effect in per cent of gross risk-adjusted capital [2]	22.0	24.2

1) With effect from 2011, market risk for the corporate portfolio in DNB Livsforsikring was reported as part of the Group's market risk. Figures for 2010 have been adjusted accordingly.
2) 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 supplier 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. The level of reported events is still considered to be low. 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 common 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 common equity 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.

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 showed a positive trend, rising by NOK 495 million to NOK 7 214 million in 2011. There was a positive development in volumes, a reduction in write-downs and a satisfactory trend in non-performing commitments. The positive trend was attributable to Retail Banking's extensive product range, which meets customers' financial needs. Strong income from DNB Finans contributed to the business area's profits in 2011.

Income statement in NOK million	2011	2010	Change	Change in %
Net interest income	14 397	14 139	257	1.8
Net other operating income	5 010	4 764	246	5.2
Total income	19 406	18 903	503	2.7
Total operating expenses	11 317	10 965	352	3.2
Pre-tax operating profit before write-downs	8 089	7 938	151	1.9
Net gains on fixed assets	2	6	(4)	(72.6)
Net write-downs on loans [1]	877	1 225	(348)	(28.4)
Pre-tax operating profit	7 214	6 719	495	7.4
Average balance sheet items in NOK billion				
Net lending to customers	784.0	737.7	46.3	6.3
Deposits from customers	404.9	377.6	27.3	7.2
Key figures in per cent				
Lending spread [2]	1.54	1.66	(0.12)	
Deposit spread [2]	0.45	0.44	0.01	
Return on risk-adjusted capital [3]	24.6	24.1	0.5	
Cost/income ratio	58.3	57.0	1.3	
Ratio of deposits to lending	51.6	51.2	0.5	
Number of full-time positions at year-end	5 040	4 842	198	4.1

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 requirement.

Retail Banking showed a stable, sound trend 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. 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.

There was a moderate rise in net interest income from 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 1.17 per cent in 2011, down from 1.25 per cent in 2010.

There was an increase in other operating income, reflecting high net income from payment transactions and a greater 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 write-downs in both the retail and corporate markets. Net write-downs represented 0.11 per cent of net lending, down from 0.17 per cent in 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 34.9 per cent on the same date.

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 rose by NOK 609 million compared with 2010, to NOK 6 734 million.

Income statement in NOK million	2011	2010	Change	Change in %
Net interest income	8 183	6 492	1 690	26.0
Net other operating income	3 072	3 157	(85)	(2.7)
Total income	11 255	9 649	1 606	16.6
Total operating expenses	3 346	2 935	410	14.0
Pre-tax operating profit before write-downs	7 909	6 713	1 196	17.8
Net write-downs on loans [1]	1 176	589	586	99.5
Pre-tax operating profit	6 734	6 124	609	9.9
Average balance sheet items in NOK billion				
Net lending to customers	367.3	341.1	26.2	7.7
Deposits from customers	234.7	209.7	25.0	11.9
Key figures in per cent				
Lending spread [2]	1.66	1.44	0.22	
Deposit spread [2]	0.02	0.10	(0.08)	
Return on risk-adjusted capital [3]	20.6	18.0	2.6	
Cost/income ratio	29.7	30.4	(0.7)	
Ratio of deposits to lending	63.9	61.5	2.4	
Number of full-time positions at year-end	1 174	1 103	71	6.4

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 requirement.

Average net lending to customers increased by 7.7 per cent from 2010. There were good opportunities in the markets towards the end of 2011, and the greater part of this increase took place during the second half of the year. Lending volumes expanded by NOK 23.8 billion from the third to the fourth quarter of 2011. Deposits from customers rose by 11.9 per cent from 2010, showing strong growth towards the end of the year.

Rising volumes and a 0.22 percentage point widening of lending spreads relative to the 3-month money market rate from 2010 contributed to an increase in net interest income, in spite of higher long-term funding costs. There was strong competition for deposits, and deposit spreads were under pressure.

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. There was a rise in operating expenses from 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. 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 0.32 per cent of net lending to customers, of which individual write-downs represented 0.26 per cent. In 2010, net individual write-downs came to 0.17 per cent of net lending.

Net non-performing and doubtful commitments amounted to NOK 6.4 billion at end-December 2011, up from NOK 2.7 billion a year earlier. 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 portfolios remained sound, and close follow-up of customers and preventive measures ensured a positive trend through 2011. Market conditions may nevertheless 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 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 4 160 million, up NOK 522 million from 2010.

Income statement in NOK million	2011	2010	Change	Change in %
FX and interest rate and commodity derivatives	1 476	1 317	159	12.1
Investment products	432	399	33	8.3
Corporate finance	770	903	(133)	(14.8)
Securities services	230	218	12	5.5
Total customer revenues	2 908	2 838	71	2.5
Net income from international bond portfolio	591	1 151	(560)	(48.7)
Other market making/trading revenues	2 495	1 337	1 158	86.6
Total trading revenues	3 086	2 488	598	24.0
Interest income on allocated capital	165	145	19	13.4
Total income	6 159	5 471	688	12.6
Operating expenses	1 999	1 833	165	9.0
Pre-tax operating profit	4 160	3 638	522	14.4

Key figures in per cent				
Return on risk-adjusted capital [1]	51.0	44.8	6.3	
Ratio of deposits to lending	32.5	33.5	(1.1)	
Number of full-time positions at year-end	698	668	29	4.4

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

Total customer-related revenues increased by 2.5 per cent from 2010, reflecting, in particular, a higher level of income from foreign exchange, interest rate and commodity derivatives, while a low level of market activity within corporate finance gave a reduction in income in this product segment.

Both interest rate and currency markets were characterised by turmoil and volatility throughout the year, resulting in greater demand for various hedging instruments and strong customer revenues from foreign exchange and interest rate and commodity derivatives. Declining long-term interest rates in the second half of 2011 boosted demand for interest rate hedging.

Developments in customer-related income from the sale of securities and other investment products reflected stock market volatility and a lack of risk willingness among investors during parts of 2011. Due to a higher level of income from equity derivatives and bond brokerage, however, there was an 8.3 per cent increase in total income from this product segment compared with 2010. DNB Markets was the largest brokerage house on Oslo Børs in 2011 in these product segments.

Customer-related revenues from corporate finance services reflected the challenging market conditions in 2011, resulting in a relatively low level of activity in the equity markets. On the other hand, there was brisk activity in the debt capital market during parts of the year, which helped ensure a stable level of income. DNB Markets established Debt Capital Markets units in Singapore and London during 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.

Customer-related revenues from custodial and other securities services showed a positive trend due to a high level of activity for the year as a whole.

Total income from market making and other proprietary trading rose by 24.0 per cent from 2010. Widening credit spreads resulted in mark-to-market losses on bonds, which will be reversed over time. These losses were more than offset by rising income from trading in foreign exchange and interest rate instruments. 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. Pre-tax operating profits came to NOK 758 million in 2011, down from NOK 1 913 million in 2010.

Income statement in NOK million	2011	2010	Change	Change in %
Total income	3 091	4 201	(1 110)	(26.4)
Operating expenses	2 333	2 288	46	2.0
Pre-tax operating profit	758	1 913	(1 155)	(60.4)
Tax	182	(630)	813	(128.9)
Profit after tax	576	2 544	(1 968)	(77.4)
Balances in NOK billion (end of period)				
Assets under management	523.4	527.8	(4.5)	(0.9)
Key figures in per cent				
Return on risk-adjusted capital [1)]	3.5	18.6	(15.1)	
Cost/income ratio	75.5	54.5	21.0	
Number of full-time positions at year-end	1 060	1 047	13	1.3

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

DNB Livsforsikring

DNB Livsforsikring's profit performance in 2011 reflected the stock market downturn during the third quarter, though the markets made a certain recovery towards the end of the year. Following a review of operating systems and routines, a downward adjustment of profits of NOK 282 million was required. Pre-tax operating profits came to NOK 415 million in 2011, compared with NOK 1 724 million the previous year.

Income statement in NOK million	2011	2010	Change	Change in %
Interest result	450	5 626	(5 176)	(92.0)
Risk result	129	(242)	371	(153.3)
– of which provisions for higher life expectancy	*(300)*	*(973)*	*673*	*(69.2)*
Administration result	(192)	(104)	(88)	84.0
Profit on risk and guaranteed rate of return	531	552	(21)	(3.8)
Other	(41)	(14)	(27)	192.0
Allocations to policyholders	462	4 093	(3 631)	(88.7)
Pre-tax operating profit	415	1 724	(1 309)	(75.9)
Tax	101	(672)	773	(115.1)
Profit after tax	314	2 396	(2 082)	(86.9)

Balances in NOK billion (end of period)	2011	2010	Change	Change in %
Total assets	258.8	247.1	11.7	4.7
Assets under management	235.6	226.5	9.2	4.0
– individual customers	62.0	64.7	(2.7)	(4.1)
– corporate customers	137.2	130.9	6.3	4.8
– public sector	36.5	30.9	5.5	17.9
Key figures in per cent				
Return on risk-adjusted capital [1)]	2.5	19.5	(17.0)	
Recorded return on assets	3.2	6.2	(3.0)	
Value-adjusted return on assets	2.1	6.8	(4.7)	
Number of full-time positions at year-end	733	726	6	0.9

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

DNB Livsforsikring achieved recorded and value-adjusted returns of 3.2 and 2.1 per cent, respectively, on the common portfolio in 2011. Corresponding figures for 2010 were 6.2 and 6.8 per cent. The corporate portfolio generated returns of 1.2 per cent in 2011 and 4.7 per cent in 2010.

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 contributed to stabilising returns. The property portfolio gave a direct return of 7.9 per cent in 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. The company reported a net outflow of transfers of NOK 132 million 2011, compared with a net inflow of NOK 2 150 million in 2010.

Premium income totalled NOK 23.3 billion in 2011, up 17.0 per cent compared with 2010.

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 0.4 percentage points from end-December 2010.

The low interest rate levels will present a challenge for DNB Livsforsikring. In addition, 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. If approved, 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 235 million in 2011, down NOK 42 million from the previous year.

Income statement in NOK million	2011	2010	Change	Change in %
Net interest income	(23)	10	(32)	(339.0)
Commission income				
- from retail customers	350	357	(7)	(1.9)
- from institutional clients	478	481	(4)	(0.7)
Other operating income	12	20	(7)	(37.4)
Total income	818	868	(50)	(5.8)
Operating expenses	583	592	(8)	(1.4)
Pre-tax operating profit	235	276	(42)	(15.2)

Balances in NOK billion (end of period)				
Asset under management	474.0	479.2	(5.2)	(1.1)
- retail customers	36.6	43.6	(7.0)	(16.0)
- institutional clients	437.5	435.7	1.8	0.4

Key figures in per cent				
Return on risk-adjusted capital [1)]	30.8	38.2	(7.5)	
Cost/income ratio	71.3	68.2	3.2	
Full-time positions, end of the year	215	218	(3)	(1.4)

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

Total commission income was reduced by NOK 10 million from 2010, which reflected a NOK 5.2 billion decline in assets under management. 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, car 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 Large Corporates and International 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 1 267 million in 2011, compared with a loss of NOK 1 481 million in 2010. Performance in 2011 reflected a high level of write-downs on loans, especially in Latvia, while 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 380 million.

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 673 million was recorded in 2011, an improvement of NOK 191 million compared with 2010.

Income statement in NOK million	2011	2010	Change	Change in %
Net interest income	1 319	1 452	(133)	(9.2)
Other operating income	763	688	75	10.9
Total income	2 082	2 140	(58)	(2.7)
Operating expenses	1 484	1 603	(119)	(7.4)
Pre-tax operating profit before write-downs	598	537	61	11.4
Net gains on fixed assets	9	(15)	24	(156.4)
Net write-downs on loans	1 280	1 386	(106)	(7.6)
Pre-tax operating profit	(673)	(864)	191	(22.1)

Average balance sheet items in NOK billion				
Net lending to customers	53.7	56.0	(2.2)	(4.0)
Deposits from customers	23.8	21.8	2.1	9.6

Key figures in per cent				
Lending spread [1)]	1.80	1.92	(0.12)	
Deposit spread [1)]	0.89	0.63	0.26	
Return on risk-adjusted capital [2)]	(15.3)	(18.9)	3.6	
Cost/income ratio	62.1	59.4	2.7	
Ratio of deposits to lending	44.4	38.9	5.5	
Full-time positions, end of the year	3 293	3 108	185	6.0

1) Calculated relative to the 3-month money market rate.
2) Calculated on the basis of internal measurement of risk-adjusted capital requirement.

Net lending to customers was reduced by 4.0 per cent, on average, from 2010 to 2011, but was relatively stable through 2011 and increased somewhat towards the end of the year. Lending volumes in Poland grew by 29.2 per cent from end-December 2010 to year-end 2011, while lending volumes in the Baltics were down 4.8 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 up 9.6 per cent from 2010. There was relatively strong growth in deposits towards the end of 2011, 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 2010 to 2011 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 7.6 per cent from 2010, but remained at a high level, mainly due to extensive write-downs in Latvia, accounting for 78 per cent of total write-downs on loans in DNB Baltics and Poland. The write-downs represented 2.39 per cent of average lending, a slight reduction from 2.48 per cent in 2010. 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.

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, economic 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.

CORPORATE SOCIAL RESPONSIBILITY

DNB takes responsibility for its impact on both human beings and the environment. This responsibility applies to all parts of the Group's operations and comprises products, services, marketing, procurement, corporate governance, as well as internal processes concerning the working environment, ethics and environmental efficiency.

Five areas have been selected as particularly relevant for the Group's CSR initiatives:

- customers and suppliers
- climate and the environment
- contribution to society
- employees
- transparency

DNB's group policy for corporate social responsibility, CSR, is based on internationally recognised guidelines and initiatives, including the OECD's guidelines for multinational companies and the UN Global Compact, which focuses on human and labour rights, the environment and anti-corruption.

In addition to a governing group policy, the Group has drawn up guidelines to help the individual business areas and support units comply with relevant CSR requirements.

The group ethics guidelines were revised in 2011. The purpose of the code of ethics is to increase awareness of, and compliance with, the high ethical standards required of all DNB employees. The code of ethics supports efforts to combat corruption, extortion, bribery, money laundering, fraud, terrorist financing and the financing of criminal activities. In addition, the code of ethics requires that DNB employees act responsibly when using open communication channels.

DNB takes social, environmental and ethical risk aspects into consideration in its lending activities, and a standardised tool is used to assess such risk in connection with large loan commitments.

DNB continued to report in accordance with the Equator principles in 2011, a voluntary set of guidelines for managing environmental and social issues in project finance, and 28 projects were assessed during 2011.

NUMBER OF PROJECTS SUBJECT TO THE EQUATOR PRINCIPLES

Equator Principle category [1]	Number of projects
A	5
B	23
C	0

1) The categories reflect the project's potential social and environmental impacts, where category A represents the most significant impact.

DNB's suppliers must sign a declaration form stating that they do not contribute to human or labour rights violations, environmental harm or corruption. The declaration form regarding suppliers' corporate social responsibility is integrated in standard agreement templates and thus included in the Group's formal supplier and contract documentation. In the course of 2011, a model for following up suppliers' corporate social responsibility was established. Suppliers are classified and followed up depending on the risk of infringement of human or labour rights, environmental harm or corruption. The aim is to ensure that social and environmental risk in the supplier chain to a greater extent than today is identified and properly managed. The model will be implemented in 2012.

Rules have been established for the Group's investment operations to ensure that DNB does not contribute to the infringement of human and labour rights, corruption, serious environmental damage or other acts which can be perceived to be unethical. Nor must DNB invest in companies involved in the production of tobacco, pornography, anti-personnel mines or cluster weapons, or in companies which develop and produce components for use in weapons of mass destruction as a central part of their operations.

DNB wishes to be an active owner and is committed to safeguarding the interests of individuals and the environment. The aim of active ownership is to influence companies in the desired direction. DNB exercises its ownership role primarily through dialogue with individual companies.

At the end of 2011, 57 companies were excluded after breaching DNB's ethical investment guidelines, based on the following criteria:

EXCLUSION CRITERIA

	Number of companies
Anti-personnel mines (land mines)	1
Cluster weapons	9
Nuclear weapons	11
Pollution	8
Labour rights	1
Human rights	5
Pornography	2
Tobacco	20
Total number of excluded companies	57

In 2011, DNB supported sporting, cultural and charitable organisations and other non-profit projects with NOK 120 million. Among other things, the Group has cooperated with the Norwegian Red Cross on a number of specific initiatives.

The DNB NOR Savings Bank Foundation is the second largest shareholder in the DNB Group and donates a share of its profits to non-profit projects. In 2011, the foundation made donations totalling some NOK 110 million.

In 2011, DNB qualified for inclusion, for the third year in a row, in the Dow Jones Sustainability World Index. 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. In addition, DNB is included in the FTSE4Good Index, which measures the target attainment of companies that meet globally recognised sustainability standards.

In DNB, both reputation and customer satisfaction are assessed when measuring and following up the group chief executive and the group executive vice presidents, which entails that the Group's CSR work indirectly forms part of the basis for group management's remuneration. Since 2009, DNB has climbed steadily in RepTrak's corporate reputation survey.

More information about the Group's corporate social responsibility initiatives can be found on dnb.no/about-us.

THE EXTERNAL ENVIRONMENT

DNB will contribute to improving the environment both through its own operations and by influencing customers and suppliers to make environmentally-friendly choices.

In 2010, DNB endorsed the Global Compact "Caring for Climate" initiative and continued this commitment in 2011. DNB also participated in the Carbon Disclosure Project, a climate reporting project, in 2011, both by being among the 655 investors who are the formal signatories of the survey, and by answering the survey on behalf of its own operations. During the year, DNB also signed the "Global Investor Statement on Climate Change", aiming to reduce greenhouse gas emissions and calling for both domestic and international actions.

It is important for DNB to increase its employees' commitment for the environment. New ways of working which, among other things, reduce the need for paper, office space, travel and physical meetings are key initiatives to achieve this. In connection with the move of approximately 4 000 employees in the Oslo area to DNB's new head office between 2012 and 2014, all employees will receive training in new working methods. All of the Group's employees, independent of where they work, will be required to apply the new working methods as well as an environmental waste management concept.

The DNB Group's direct impact on the climate and the environment is mainly related to its greenhouse gas emissions and waste from its office operations, whereas the Group's indirect impact on the environment is related to product and services procurement and requirements made to customers, suppliers and investment objects.

It is estimated that the Group's Norwegian operations produced 19 072 tons of CO_2 in 2011, which is an increase of 768 tons from 2010. The main sources of these emissions were air travel and energy consumption. Greenhouse gas emissions from air travel rose by 9 per cent, while emissions from energy consumption were up 2 per cent.

At the end of 2011, 30 of DNB's buildings were environmentally certified based on the Eco-lighthouse standard. Three buildings were recertified in 2011.

INTERNAL ENVIRONMENTAL EFFICIENCY 1)

	2011	2010
Energy consumption (Gwh) 2)	104	104
Energy consumption per employee (Kwh) 3)	10.7	11.5
Purchased paper (tons) 4)	1 302	675
Waste recycling ratio (per cent)	51.7	53.0
Eco-lighthouse certified buildings (number)	30	29
Domestic air travel (1 000 kms)	21 538	21 093
International air travel (1 000 kms) 5)	27 962	21 451

1) All figures apply to the Group's operations in Norway.
2) The figure for 2010 has been revised from 109.7 Gwh to 104.0 Gwh.
3) The figure for 2010 has been revised from 12.1 Kwh to 11.5 Kwh.
4) The increase from 2010 to 2011 was due to the rebranding of the Group in 2011. DNB sent letters about the brand change to 1.9 million customers. In addition, required written material was replaced.
5) The increase in international air travel from 2010 to 2011 was mainly due to greater international activity.

EMPLOYEES AND MANAGERS

DNB's employees are the most important resource in developing and maintaining good customer relationships and creating values together with customers. The Group has competent and motivated employees and wants to be an attractive workplace with good development opportunities. There was no significant increase in the number of employees attending courses and seminars from 2010 to 2011.

The Group's code of ethics was revised in 2011. DNB has offices around the globe and employees from many different cultures. The purpose of the code of ethics is to contribute to the awareness of and compliance with the high ethical standards required of all employees in all parts of the DNB Group. The Group has mandatory, web-based ethics programmes for all employees. The purpose of these programmes is to increase employee awareness of the ethical dilemmas which may be encountered in contact with customers and in connection with internal processes. New employees must also participate in ethical dilemma training at DNB's introduction meetings for new employees. Knowledge of the ethical guidelines is monitored through the Group's annual employee survey, and the score for knowledge of the code of ethics was high in the 2011 employee survey. See also the section on corporate social responsibility.

In 2011, 600 managers and other employees became authorised in accordance with the requirements under the Norwegian authorisation scheme for financial advisers. The purpose of the scheme is to strengthen the financial sector's reputation and ensure that each individual adviser satisfies the necessary competence requirements. At year-end 2011, DNB had a total of 1 161 authorised financial advisers and thereby satisfied the requirement that all employees and managers working as financial advisers must be authorised.

DNB has joined the insurance industry's authorisation scheme for sellers and advisers who offer non-life insurance solutions in Norway. The scheme aims to ensure that sellers and advisers meet the competence requirements which are defined by the sector. At the end of 2011, a total of 80 per cent of employees who are comprised by the requirements of the authorisation scheme had completed the training and passed the professional exam.

At the end of 2011, there were 14 072 employees in the Group, of whom 4 674 were based outside Norway.

In 2011, DNB recruited seven new candidates to the group trainee programme and two new candidates to the executive trainee programme. The latter aims to recruit candidates with established careers and leadership experience, and aims to contribute to the further development of the organisation.

In 2011, DNB implemented several measures to integrate the Group's international units. A new group policy for people and organisation was put in place, with guidelines for remuneration, recruitment and HS&E. Initiatives to implement the principles will continue in 2012.

An introduction into the history, vision, values and leadership principles of DNB was given at the international offices in 2011 by way of a comprehensive training programme for all employees and managers. Furthermore, processes were developed for more uniform remuneration systems and competence development programmes.

Starting in 2011, all group employees are offered web-based English courses.

DNB's operations outside Norway, especially in the Baltics, have resulted in a greater number of cross-border assignments in the Group. In 2011, the number of employees on long-term international assignments increased to 65, from 50 in 2010.

The employee survey which was carried out in February 2011 showed that the process of defining a strategic direction and establishing a clear and unambiguous vision for the Group has had the desired effect. The main employee satisfaction index rose as high as 76.6 points in 2011, compared with 74 points in 2010.

HEALTH, SAFETY AND ENVIRONMENT

Health, safety and environment, HS&E, are important elements in the Group's human resources policy. In 2011, global HS&E guidelines were drawn up in DNB. These guidelines should contribute to the systematic monitoring and development of HS&E efforts. Each country must also have its own rules for following up sickness absence and providing medical assistance in case of medical emergencies, the required level of security at DNB's offices and safety for travelling employees. The guidelines also include recommendations for what should be defined as unacceptable use of alcohol and drugs in work situations.

The Group has separate guidelines addressing harassment, bullying and other improper conduct. The guidelines aim to ensure that a reported incident is assessed swiftly, predictably and consistently. As part of the work to prevent harassment and bullying, the annual employee survey also contains specific questions about such issues.

In 2011, HS&E training became mandatory for new managers. The training is tailored to satisfy the authorities' requirements for the follow-up of, and implementation of suitable measures for, employees on sick leave. A total of 210 managers have completed the training. In addition, ten safety representatives have completed the web-based HS&E training programme. The training provides the necessary insight and knowledge to comply with the Working Environment Act and DNB's internal HS&E requirements for safety representatives.

DNB endeavours to prevent injuries caused by robberies and threats through extensive security procedures and training programmes. In 2011, 21 courses were held on how to handle robberies in the Group's operations in Norway. In addition, 832 employees attended various courses on threat management, security and fire protection, and 1 596 employees participated in evacuation drills.

In 2011, a total of 46 employees in the Group's operations in Norway were exposed to threats and 30 to robberies. DNB was exposed to four robberies in 2011. 37 accidents and injuries were registered during working hours or in connection with commuting to and from work, but none were of a serious nature. All accidents and injuries are reported as occupational injuries to the public authorities.

SICKNESS ABSENCE AND AN INCLUSIVE WORKPLACE

In 2011, sickness absence was 4.2 per cent in the Group's Norwegian operations, a slight improvement from 4.3 per cent in 2010. Of 2 191 000 possible man-days, some 91 300 man-days were lost due to sickness absence in 2011.

The special follow-up of units with high sickness absence rates continued in 2011. The same applies to the collaboration project with the Norwegian Red Cross, the Norwegian Church City Mission and the Norwegian Heart and Lung Patient Organisation. The purpose of the collaboration project is to help employees on long-term sick leave or those affected by extensive restructuring processes to return to work, within or outside the Group, as quickly as possible.

In order to comply with the new sickness absence follow-up requirements of the Working Environment Act and the Norwegian Labour and Welfare Service, NAV, a plan was drawn up in 2011 for closer follow-up of employees on sick leave. As a result of this, the working environment committee in each business area must follow up sickness absence in its own area on a quarterly basis. In addition, a project was initiated for the follow-up of pregnant employees. The purpose of the project is to reduce sickness absence caused by pregnancies.

In order to fulfil its responsibility as an inclusive workplace, DNB signed a new agreement with NAV in 2011. As part of this agreement, DNB will employ job-seekers who have been cleared by NAV to test their capacity for work.

DNB is committed to working systematically to reduce sickness absence, adapt working conditions for employees with special needs, follow up employees on long-term sick leave and increase the actual retirement age in the Group. The new headquarters in Bjørvika will be physically adapted for employees with reduced working capacity.

In 2011, the average retirement age was 62.4 years in the Group's Norwegian operations, an increase from 61.5 years in 2010.

EQUALITY

DNB gives men and women the same opportunities for professional and personal development, combined with salary and career progression. The Group has flexible schemes that make it easier to combine a career with family life. DNB is committed to gender-balanced participation in its talent and management development programmes. As a measure to promote gender equality, DNB gives priority to female applicants for management positions, subject to equal qualifications.

In the Group's Norwegian operations, the proportion of women was around 50 per cent in 2011. The average age was 45.5 years for women and 44.5 years for men. Of employees working part-time in 2011, 79 per cent were women, a reduction from 83 per cent in 2010. The average fixed salary was NOK 471 918 for women and NOK 602 135 for men, having converted all part-time positions to full-time.

The proportion of women in the group management team was 45 per cent in 2011, rising from 44 per cent in 2010. At the top four and five management levels, female representation also remained virtually unchanged at 27 and 33 per cent, respectively, in 2011. The female representation target set by the Board of Directors for the top four management levels in the Group is minimum 30 per cent.

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 2011. 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 the calculation base 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.

Additional changes in the regulatory framework for DNB Livsforsikring are expected, including a requirement to strengthen premium reserves to meet higher life expectancy. In addition, new solvency capital requirements for insurance companies, Solvency II, will be introduced in the course of a couple of years. Changes in product rules are also in progress. Even though the final structure and plan for phasing in the rule changes are not yet clear, they will be of great significance to product development, capital requirements and profitability in this sector over the coming years. If approved, the announced rule changes for the taxation of life insurance companies may present additional challenges.

DNB is working to be ready to meet the new capitalisation and liquidity requirements. Up until the new regulations are introduced, the Group's funding activities will reflect a gradual adaptation to these 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. Operations in the Baltics and Poland are expected to show further improvement, though the situation may remain challenging.

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. The company will need to increase premium reserves for higher life expectancy. Provisions representing 5-7 per cent of the premium reserve will be required, depending on whether Statistics Norway's low or medium alternative for life expectancy is used. The company expects to be able to finance the increase through a positive interest result, though it is assumed that profits attributable to the owner will have to be used to cover part of the increase. DNB will also prepare for the introduction of Solvency II, which is expected to result in higher capital requirements and reduce risk taking. Based on the uncertainty concerning the future regulatory framework, DNB Livsforsikring has chosen to discontinue sales of defined benefit pension schemes and will give priority to existing policyholders.

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.

DIVIDENDS AND ALLOCATION OF PROFITS

DIVIDENDS

DNB's Board of Directors has approved a dividend policy which aims to create value for shareholders through both increases in the share price and dividend payments, which will ensure an attractive and competitive return. DNB intends to distribute approximately 50 per cent of net annual profits as dividends provided that capital adequacy is at a satisfactory level. Dividends will be determined on the basis of expected profit levels in a normalised market situation, prevailing economic parameters and the Group's need for capital.

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, calculated according to the Basel II transitional rules. 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

The proposed dividend gives a dividend yield of 3.42 per cent based on a share price of NOK 58.55 as at 31 December 2011. The proposed dividend implies that DNB ASA will distribute a total of NOK 3 258 million in dividends for 2011. The payout ratio represents 25.1 per cent of earnings per share. A dividend of NOK 4.00 per share was paid for 2010.

In connection with the dividend distributions to shareholders and the attainment of the Group's financial targets, the Board of Directors has decided to make allocations of NOK 217 million to the Group's employees.

ALLOCATIONS
Profits for 2011 in DNB ASA came to NOK 13 million, compared with NOK 7 092 million in 2010. The profits for 2010 attributed mainly to the transfer of group contributions and dividends from subsidiaries. In 2011, such transfers were limited.

Amounts in NOK million	2011	2010
Profit for the year	13	7 092
Proposed dividend per share (NOK)	2.00	4.00
Share dividend	3 258	6 515
Transfers to/(from) other equity	(3 245)	577
Total allocations	13	7 092

The Group's capital adequacy ratio as at 31 December 2011 was 11.4 per cent, while the common equity Tier 1 capital ratio was 9.4 per cent. Correspondingly, the capital adequacy ratio in DNB Bank ASA was 13.0 per cent and the common equity Tier 1 capital ratio 10.6 per cent. The banking group, which includes the bank and its subsidiaries, had a capital adequacy ratio of 11.5 per cent and a common equity Tier 1 capital ratio of 9.3 per cent.

In the opinion of the Board of Directors, following allocations, DNB ASA will have adequate financial strength and flexibility to provide sufficient support to operations in subsidiaries and meet the Group's expansion requirements and changes in external parameters.

Oslo, 14 March 2012
The Board of Directors of DNB ASA

Anne Carine Tanum
(chairman)

Bjørn Sund
(vice-chairman)

Jarle Bergo

Bente Brevik

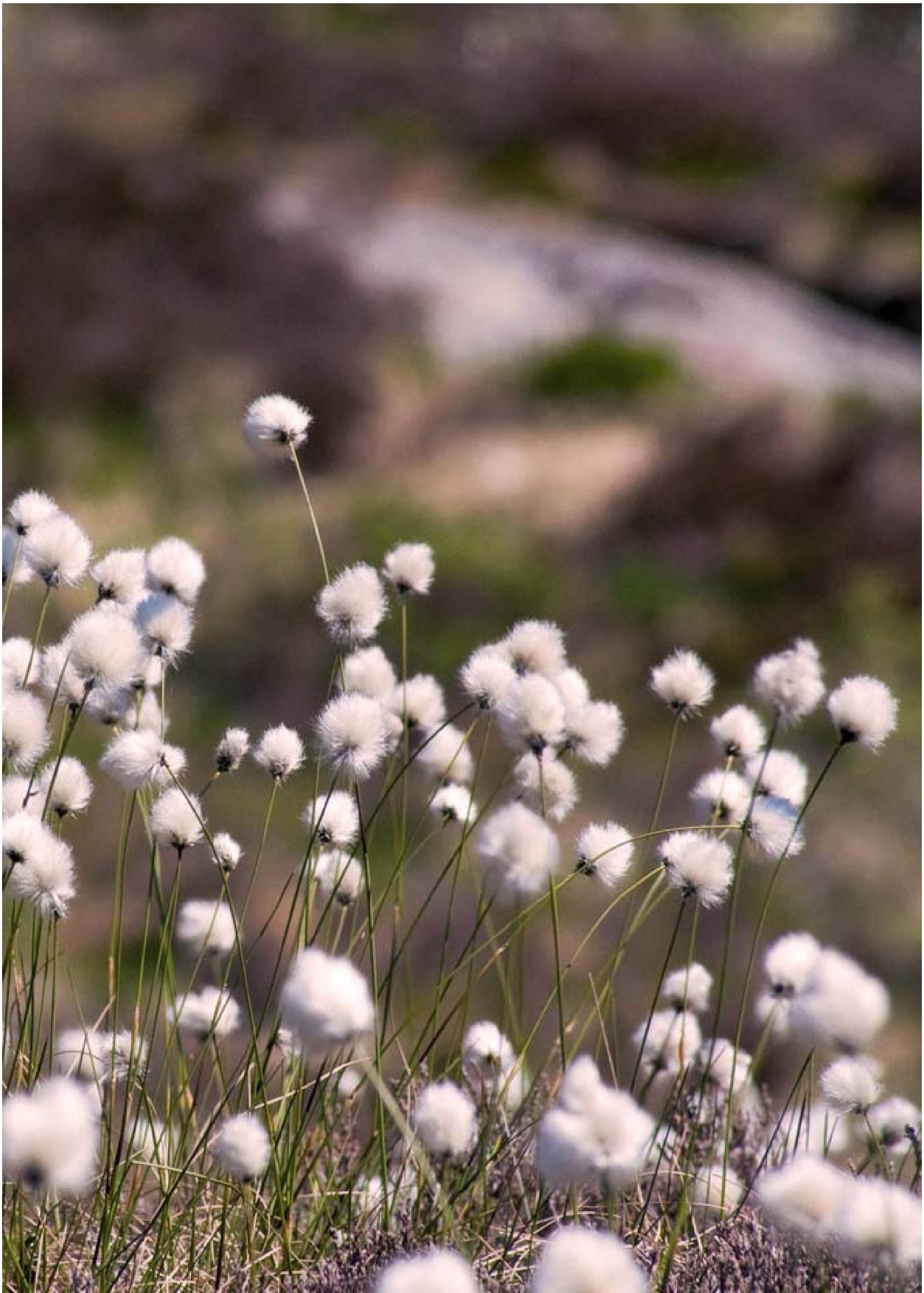
Sverre Finstad

Carl A. Løvvik

Tore Olaf Rimmereid

Ingjerd Skjeldrum

Rune Bjerke
(group chief executive)



CONTENTS – ANNUAL ACCOUNTS

INCOME STATEMENT

		DNB Group	
Amounts in NOK million	Note	2011	2010
Total interest income	19	60 075	53 395
Total interest expenses	19	34 823	29 959
Net interest income	19	**25 252**	**23 436**
Commissions and fees receivable etc.	21	9 135	9 261
Commissions and fees payable etc.	21	2 256	2 220
Net gains on financial instruments at fair value	23	7 661	4 961
Net gains on assets in DNB Livsforsikring		5 834	15 074
Guaranteed returns and allocations to policyholders in DNB Livsforsikring		5 772	13 500
Premium income etc. included in the risk result in DNB Livsforsikring		4 941	4 721
Insurance claims etc. included in the risk result in DNB Livsforsikring		4 853	4 977
Premium income, DNB Skadeforsikring		1 094	1 009
Insurance claims etc., DNB Skadeforsikring		849	918
Profit from companies accounted for by the equity method	39	77	180
Net gains on investment property	38	(32)	0
Other income	22	1 775	2 565
Net other operating income		**16 754**	**16 156**
Total income		**42 006**	**39 592**
Salaries and other personnel expenses	24	10 279	9 259
Other expenses	25	7 722	6 995
Depreciation and impairment of fixed and intangible assets	26	2 172	2 256
Total operating expenses		**20 172**	**18 511**
Net gains on fixed and intangible assets		19	24
Write-downs on loans and guarantees	10, 11	3 445	2 997
Pre-tax operating profit		**18 407**	**18 108**
Taxes	29	5 423	4 121
Profit from operations held for sale, after taxes		(5)	75
Profit for the year		**12 979**	**14 062**
Profit attributable to shareholders		12 979	14 814
Profit attributable to minority interests		0	(752)
Earnings/diluted earnings per share (NOK)	52	7.98	8.66
Earnings per share for operations held for sale (NOK)	52	0.00	0.05
Earnings per share for continuing operations excluding operations held for sale (NOK)	52	7.99	8.62

COMPREHENSIVE INCOME STATEMENT

	DNB Group	
Amounts in NOK million	2011	2010
Profit for the year	12 979	14 062
Exchange differences arising from the translation of foreign operations	(53)	(90)
Comprehensive income for the year	**12 926**	**13 971**
Comprehensive income attributable to shareholders	12 926	14 865
Comprehensive income attributable to minority interests	0	(894)

BALANCE SHEET

		DNB Group	
Amounts in NOK million	Note	31 Dec. 2011	31 Dec. 2010
Assets			
Cash and deposits with central banks	30, 31, 32	224 581	16 198
Lending to and deposits with credit institutions	7, 8, 30, 31, 32	28 754	47 792
Lending to customers	7, 8, 30, 31, 32	1 279 259	1 170 341
Commercial paper and bonds	30, 32, 34	177 980	204 204
Shareholdings	30, 32, 33, 34	53 012	75 179
Financial assets, customers bearing the risk	30, 32, 36	23 776	23 506
Financial derivatives	16, 30, 32	96 693	78 156
Commercial paper and bonds, held to maturity	30, 31, 37	166 965	179 461
Investment property	38	42 796	38 834
Investments in associated companies	39	2 189	2 307
Intangible assets	40, 41	7 003	7 164
Deferred tax assets	29	643	915
Fixed assets	42	6 336	5 793
Assets held for sale		1 054	1 271
Other assets	44	15 055	10 499
Total assets		**2 126 098**	**1 861 620**
Liabilities and equity			
Loans and deposits from credit institutions	30, 31, 32	279 553	257 931
Deposits from customers	30, 31, 32, 45	740 036	641 914
Financial derivatives	16, 30, 32	64 365	60 871
Debt securities issued	30, 31, 32, 46	635 157	501 668
Insurance liabilities, customers bearing the risk	18, 36	23 776	23 506
Liabilities to life insurance policyholders in DNB Livsforsikring	18	212 271	205 550
Insurance liabilities, DNB Skadeforsikring	18	1 589	1 091
Payable taxes	29	634	4 865
Deferred taxes	29	4 897	116
Other liabilities	30, 49	17 550	14 738
Liabilities held for sale		383	387
Provisions	48	787	946
Pension commitments	27	3 123	3 361
Subordinated loan capital	30, 31, 32, 47	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 and contingencies	54		

STATEMENT OF CHANGES IN EQUITY

DNB Group

Amounts in NOK million	Minority interests	Share capital 1)	Share premium reserve	Other equity 1)	Total equity 1)
Balance sheet as at 31 December 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**
Of which currency translation reserve:					
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)

1) *Of which treasury shares, held by DNB Markets for trading purposes:*

		Share capital		Other equity	Total equity
Balance sheet as at 31 December 2010		*(56)*		*(405)*	*(461)*
Net purchase of treasury shares		*28*		*240*	*268*
Reversal of fair value adjustments through profit and loss				*27*	*27*
Balance sheet as at 31 December 2011		*(28)*		*(138)*	*(166)*

The share premium reserve can be used to cover financial losses. Other equity can be used in accordance with stipulations in the Public Limited Companies Act.

The share capital of DNB ASA is NOK 16 287 988 610 divided into 1 628 798 861 shares, each with a nominal value of NOK 10.

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.

The Board of Directors of DNB ASA has proposed a dividend for 2011 of NOK 2.00 per share. See Note 1 to the accounts in DNB ASA.

CASH FLOW STATEMENT

	DNB Group	
Amounts in NOK million	2011	2010
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 (see note 2)	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 (see note 46)	367 414	277 533
Payments on redeemed bonds and commercial paper (see note 46)	(244 281)	(257 013)
Interest payment on issued bonds and commercial paper	(14 933)	(12 239)
Redemptions of subordinated loan capital (see note 47)	(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 as at 31 December *)	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 year. 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 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. Prior to this, these items were included under funding activities. Comparable figures for previous periods have been restated.

ACCOUNTING PRINCIPLES

Contents

1. CORPORATE INFORMATION

DNB ASA is a Norwegian public limited company listed on Oslo Børs (the Oslo Stock Exchange). The consolidated accounts for 2011 were approved by the Board of Directors on 14 March 2012.

The DNB Group offers banking, securities and investment services and insurance services and asset management services in the Norwegian and international retail and corporate markets.

The visiting address to the Group's head office is Stranden 21, Oslo, Norway.

2. BASIS FOR PREPARING THE ACCOUNTS

DNB has prepared consolidated accounts for 2011 in accordance with IFRS, International Financial Reporting Standards, as endorsed by the EU. The statutory accounts of DNB ASA have been prepared according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-5, on the use of IFRS, which implies that recognition and measurements are in accordance with IFRS and that the presentation and note information are in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

The consolidated accounts are based on the historic cost principle, with the following exceptions: financial assets and liabilities (including financial derivatives) carried at fair value through profit or loss and investment property. The consolidated accounts are presented in Norwegian kroner. Unless otherwise specified, values are rounded off to the nearest million.

The Group's balance sheets are primarily based on an assessment of the liquidity of the balance sheet items.

3. CHANGES IN ACCOUNTING PRINCIPLES

The Group has made no changes in the accounting principles applied in 2011. The following new standards, amendments and interpretations were taken into use with effect from the 2011 accounting year, without any significant impact on the Group:

- Amendments to IFRS 7 Information resulting from the IASB's annual improvement project. New note information about collateral and other credit enhancements which reduce the Group’s maximum credit exposure. See note 6 Credit risk for a further description.
- Amendments to IAS 24 Related Party Disclosures.
- Amendments to IAS 32 Financial Instruments: Presentation.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.
- Amendments to IFRIC 14 and IAS 19 – the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.
- Other amendments resulting from the IASB's annual improvement project.

4. CONSOLIDATION

The consolidated accounts for DNB ASA ("DNB") include DNB Bank ASA, DNB Livsforsikring ASA, DNB Asset Management Holding AS and DNB Skadeforsikring AS, all including subsidiaries.

The accounting principles are applied consistently when consolidating ownership interests in subsidiaries and are based on the same reporting periods as those used for the parent company.

When preparing the consolidated accounts, intra-group transactions and balances, along with unrealised gains or losses on transactions between group units, are eliminated.

Subsidiaries

Subsidiaries are defined as companies in which DNB has control, directly or indirectly, through ownership or other means. DNB recognises the existence of de facto control, but generally assumes

Accounting principles (continued)

to have control when the Group's direct or indirect holdings represent more than 50 per cent. With respect to companies where the Group's holding is 50 per cent or less, DNB makes an assessment of whether other factors indicate de facto control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Subsidiaries that are sold are consolidated up till the time risk and control are transferred.

Associated companies

Associated companies are companies in which DNB has a significant influence, that is the power to participate in the financial and operating policy decisions of the companies, but is not in control or joint control of the companies. DNB assumes that significant influence exists when the Group holds between 20 and 50 per cent of the voting share capital or primary capital in another entity.

Associated companies are recognised in the group accounts according to the equity method. The investment is recorded at cost at the time of acquisition and is adjusted for subsequent changes in the Group's share of equity in the associated company. Any goodwill is included in the acquisition cost. The Group's share of profits or losses is recognised in the income statement and added to the balance sheet value of the investment along with other changes in equity which have not been reflected in the income statement. The Group's share of losses is not reflected in the income statement if the balance sheet value of the investment will be negative, unless the Group has taken on commitments or issued guarantees for the commitments of the associated company.

The Group's share of unrealised gains on transactions between the Group and its associated companies is eliminated. The same applies to unrealised losses unless the transaction indicates a need for a write-down of the transferred assets.

Conversion of transactions in foreign currency

The major entity in the Group, DNB Bank ASA, has Norwegian kroner as its functional currency. Balance sheet items of foreign branches and subsidiaries in other functional currencies are translated into Norwegian kroner according to exchange rates prevailing on the balance sheet date, while profit and loss items are translated according to exchange rates on the transaction date. Changes in net assets resulting from exchange rate movements are recorded as other income and expenses in the comprehensive income statement.

Monetary assets and liabilities in foreign currency are translated at exchange rates prevailing on the balance sheet date. Changes in value of such assets due to exchange rate movements between the transaction date and the balance sheet date, are recognised in the income statement.

5. BUSINESS COMBINATIONS

The acquisition method is applied for acquisitions of operations. The consideration is measured at fair value. Direct acquisition costs are expensed as they occur, with the exception of issue and borrowing costs.

Acquired assets and liabilities are recorded at fair value at the time of acquisition. If the consideration exceeds the fair value of identifiable assets and liabilities, the excess will be recorded as goodwill. See item 12 Intangible assets for more information about goodwill. If cost is lower than the fair value of identifiable assets and liabilities, the difference will be recognised in the income statement on the transaction date.

In connection with step acquisitions of subsidiaries, the Group will measure previous holdings in the company at fair value immediately before control is obtained, and any gains or losses will be recognised in profit or loss.

Contingent considerations are measured at fair value irrespective of the probability of the consideration being paid. Subsequent changes in the consideration will be reflected in the accounts according to relevant standards.

Operations held for sale

The Group classifies operations as held for sale when the recorded value will be retrieved through a sale. An operation is classified as held for sale from the time management has approved a concrete plan to sell the operation in its current form and it is highly probable that the sale will take place shortly.

Subsidiaries which are acquired with a view to their subsequent sale, including companies taken over as part of loan restructurings, are immediately classified as assets held for sale if the Group intends to sell the subsidiary.

Operations held for sale are measured at the lower of the balance sheet value and fair value less costs to sell. Acquired operations which are immediately classified as held for sale are recorded at fair value less costs to sell upon initial recognition.

Profits after taxes for such operations, which meet the criteria for "discontinued operations" in IFRS 5, are presented separately as "Profit from operations held for sale, after taxes" in the consolidated accounts. Total assets and liabilities from these operations are presented separately under "Assets held for sale" and "Liabilities held for sale" in the Group's balance sheet.

6. RECOGNITION IN THE INCOME STATEMENT

Interest income is recorded using the effective interest method. This implies that interest is recorded when incurred, with the addition of amortised front-end fees.

The effective interest rate is set by discounting contractual cash flows based on the expected life of the asset. Cash flows include front-end fees and direct marginal transaction costs which are not paid directly by the customer, plus any residual value at the expiry of the asset's expected life.

Interest is recorded according to the effective interest method with respect to both balance sheet items carried at amortised cost and balance sheet items carried at fair value in the income statement, with the exception of front-end fees on loans at fair value, which are recorded when earned. Interest taken to income on impaired commitments corresponds to the effective interest rate on the written-down value.

Interest income on financial instruments presented as lending is included in "Net interest income".

Fees and commissions are included in the income statement when the services are rendered. Fees for the establishment of loan agreements are included in cash flows when calculating amortised cost and recorded under "Net interest income" using the effective interest method. Fees that are incurred when establishing financial guarantees are included in the valuation and recorded over the term of the contract under "Net gains on financial instruments at fair value". "Net other operating income" includes, among others, fees and commissions relating to money transfers, asset management, including success fees, credit broking, real estate broking, corporate finance, securities services, insurance products and lease income from investment properties. Credit broking commissions include syndication income in the form of fees and commissions from transactions where DNB arranges the loans without retaining parts of the loan itself or participates in a loan syndicate and receives compensation in excess of the effective interest received by the other participants. Other operating income is recorded in the income statement when the services are rendered or the transactions are completed. Success fees are recorded when the fees with a high degree of certainty have been earned and can be measured in a reliable manner.

Accounting principles (continued)

Dividends on investments are recognised from the date the dividends were approved at the general meeting.

7. FINANCIAL INSTRUMENTS

Recognition and derecognition

Financial assets and liabilities are recorded in the balance sheet at the time the Group becomes a party to the instruments' contractual obligations.

Derecognition of financial assets

The Group enters into agreements whereby assets are transferred to counterparties, though parts of or the entire risk and returns associated with the ownership are retained by the Group. If the major part of risk and returns is retained, the financial asset is not derecognised, but recorded at a value limited to the Group's continuing involvement. Such agreements could entail the transfer of a loan portfolio where the Group retains the risk and returns associated with the transferred portfolio by guaranteeing for all risks in the portfolio or entering into a total return swap.

When entering into agreements where neither the return nor the risk is retained or transferred to the counterparty, the asset will be derecognised if the Group has relinquished control of the asset. The Group's rights and obligations relating to the transferred asset are recorded as separate assets and liabilities in the balance sheet. In cases where the Group has retained control of the asset, the asset is recorded at an amount limited the Group's continuing involvement in the asset.

Derecognition of financial liabilities

Financial liabilities are derecognised at the time the rights to the contractual obligations have been fulfilled or cancelled or have expired.

Repurchase and reverse repurchase agreements

Securities which have been purchased under an agreement to resell and securities sold under an agreement to repurchase, are generally not recognised and derecognised, as the risk and returns are normally not taken over or transferred. Such transactions primarily involve fixed-income securities.

Securities received, including securities received as collateral, are registered off the balance sheet irrespective of whether the Group has the right to sell or repledge the securities. Upon the sale of securities received, the Group will record an obligation in the balance sheet. See note 35 Securities received which can be sold or repledged.

Transferred securities which the recipient is entitled to sell or repledge, are reported as securities in the Group's balance sheet and are specified in note 34 Repurchase agreements and securities lending.

Securities borrowing and lending agreements

Transactions mainly include equity borrowing or lending. Agreements on securities borrowing and lending are generally based on collateral in the form of cash or securities.

Equities which have been received or transferred in such transactions, are generally not recognised and derecognised, as risks and returns associated with ownership of the assets are normally not taken over or transferred.

Equities received, including equities received as collateral, are registered off the balance sheet irrespective of whether the Group has the right to sell or repledge the securities. Upon the sale of securities received, the Group will record an obligation in the balance sheet. See note 35 Securities received which can be sold or repledged.

Transferred equities and equities received as collateral which the recipient is entitled to sell or repledge, are reported as equities or securities in the Group's balance sheet and are specified in note 34 Repurchase agreements and securities lending.

Classification and presentation

On initial recognition financial assets are classified in one of the following categories according to the type of instrument and the purpose of the investment:

- financial assets held for trading and derivatives carried at fair value with changes in value recognised in profit or loss
- financial instruments designated as at fair value with changes in value recognised in profit or loss
- financial derivatives designated as hedging instruments
- loans and receivables, carried at amortised cost
- held-to-maturity investments, carried at amortised cost

On initial recognition financial liabilities are classified in one of the following categories:

- financial liabilities held for trading and derivatives carried at fair value with changes in value recognised in profit or loss
- financial liabilities designated as at fair value with changes in value recognised in profit or loss
- financial derivatives designated as hedging instruments
- other financial liabilities carried at amortised cost
- issued financial guarantees

Guidelines for classification in the various portfolios of the DNB Group are given below.

Financial assets and liabilities in the trading portfolio

Financial instruments in the trading portfolio are recorded at fair value excluding transaction costs. Fair value will normally be the transaction price, unless a different value can be justified based on observable market transactions. See the paragraph below on determining fair value at subsequent valuation.

Changes in value of the financial instruments are included under "Net gains on financial instruments at fair value" in the income statement. Interest income and expenses on fixed-income securities are included under "Net interest income" using the effective interest method.

Changes in value of financial instruments within life insurance are included under "Net gains on assets in DNB Livsforsikring".

Financial derivatives are presented as an asset if the market value is positive and as a liability if there is a negative market value.

The trading portfolio mainly includes financial assets in DNB Markets and financial derivatives excluding derivatives used for hedging. In addition, the portfolio includes securities issued and deposits where instruments are used actively in interest rate and liquidity management and have a short remaining maturity.

Financial assets and liabilities designated as at fair value with changes in value recognised in profit or loss

Financial instruments in the portfolio are recorded at fair value excluding transaction costs. Fair value will normally be the transaction price, unless a different value can be justified based on observable market transactions. See the paragraph below on determining fair value at subsequent valuation. Financial instruments are classified in this category if one of the following criteria is fulfilled:

Accounting principles (continued)

- The classification eliminates or significantly reduces measurement inconsistency that would otherwise have arisen from measuring financial assets or liabilities or recognising the gain and losses on them on different bases
- The financial instruments are part of a portfolio that is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Changes in value of the financial instruments are included under "Net gains on financial instruments at fair value" in the income statement. Interest income and expenses relating to loans designated as at fair value and other fixed-income securities are included under "Net interest income".

Changes in value of financial instruments within life insurance are included under "Net gains on assets in DNB Livsforsikring".

These portfolios include commercial paper and bonds, equities, fixed-rate loans in Norwegian kroner, financial assets – customers bearing the risk, current financial assets within life insurance, fixed-rate securities issued in Norwegian kroner, such as index-linked bonds and equity-linked bank deposits and other fixed-rate deposits in Norwegian kroner.

Financial derivatives designated as hedging instruments
See item 8 Hedge accounting.

Loans and receivables carried at amortised cost
Loans and receivables carried at amortised cost are recorded at the transaction price plus direct transaction expenses. Recording and subsequent measurement follow the effective interest method. The effective interest method is described under item 6 Recognition in the income statement.

Upon subsequent measurement, amortised cost is set at the net present value of contractual cash flows based on the expected life of the financial instrument, discounted by the effective interest rate.

Interest income on financial instruments classified as lending is included under "Net interest income" using the effective interest method.

A decrease in value on the balance sheet date based on objective indications of impairment for loans valued at amortised cost and in the portfolios of fixed-rate loans measured at fair value, are reflected in "Write-downs on loans and guarantees".

Other changes in value of the portfolios of fixed-rate loans measured at fair value, and changes in value of loans included in the trading portfolio are included under "Net gains on financial instruments at fair value".

Held-to-maturity investments carried at amortised cost
Held-to-maturity investments are carried at amortised cost and recorded at the transaction price plus direct transaction expenses. Recording and subsequent measurement follow the effective interest method. The effective interest method is described under item 6 Recognition in the income statement.

Upon subsequent measurement, amortised cost is set at the net present value of contractual cash flows based on the expected life of the financial instrument, discounted by the effective interest rate.

Interest income relating to the instruments is included under "Net interest income".

This category mainly comprises the liquidity portfolio in DNB Markets and investments in bonds in DNB Livsforsikring.

Other financial liabilities carried at amortised cost
Financial liabilities carried at amortised cost are recorded at the transaction price plus direct transaction expenses.

Interest expenses on such instruments are included under "Net interest income" using the effective interest method.

This category includes deposits from customers and credit institutions, commercial paper issued, bonds, subordinated loan capital and perpetual subordinated loan capital securities.

Issued financial guarantees
Contracts resulting in the Group having to reimburse the holder for a loss incurred because a specific debtor fails to make payment when due, are classified as issued financial guarantees.

On initial recognition, issued financial guarantees are recorded at the consideration received for the guarantee.

Issued financial guarantees are subsequently measured at the higher of the consideration received for the guarantee excluding any amortised amounts recorded in the income statement and the best estimate of the consideration due if the guarantee is honoured.

When issuing financial guarantees, the consideration for the guarantee is recorded under "Provisions" in the balance sheet. Except for individually identified impaired commitments, any changes in the carrying amount of financial guarantee contracts issued are recorded as "Net gains on financial instruments at fair value". Changes in the value of such guarantee contracts are recorded under "Net write-downs on loans and guarantees".

Reclassification
Non-derivative financial assets may be reclassified from the held-for-trading category to the held-to-maturity or available-for-sale categories according to specific rules if the financial asset is no longer held for sale or repurchase in the near term.

Equity instruments and fixed-income securities that have quoted prices in an active market can be reclassified only in rare and extraordinary circumstances.

Fixed-income securities that do not have quoted prices in an active market, may be reclassified from the held-for-trading category to the loans and receivables category if the Group has the intention and ability to hold the financial assets for the foreseeable future or until maturity. If, after the reclassification, the Group increases its estimates for future cash receipts as a result of increased recoverability of those cash receipts, the effect of the increase will be recognised as an adjustment to the effective interest rate from the date the estimate was changed.

The Group will consider reclassifications based on the individual financial instruments. The earliest reclassification date will be the date when the asset is reclassified out of the trading category. The fair value of the financial asset on the reclassification date will be the new acquisition cost or amortised cost.

No reclassifications were made in 2011 and 2010.

Determination of fair value
Fair value is the amount for which an asset could be traded, or a liability settled, in a transaction between independent parties. Financial assets and liabilities are measured at bid or asking prices respectively. Derivatives which are carried net, are recorded at mid-market prices on the balance sheet date.

Instruments traded in an active market
With respect to instruments traded in an active market, quoted prices are used, obtained from a stock exchange, a broker or a price-setting agency.

A market is considered active if it is possible to obtain external, observable prices, exchange rates or interest rates and these prices represent actual and frequent market transactions.

Some investments in equities and commercial paper and bonds are traded in active markets.

Accounting principles (continued)

Instruments not traded in an active market

Financial instruments not traded in an active market are valued according to different valuation techniques and are divided into two categories:

Valuation based on observable market data:

- recently observed transactions in the relevant instrument between informed, willing and independent parties
- instruments traded in an active market which are substantially similar to the instrument that is valued
- other valuation techniques where key parameters are based on observable market data.

Valuation based on other factors than observable market data:

- estimated cash flows
- valuation of assets and liabilities in companies
- models where key parameters are not based on observable market data
- possible industry standards.

When using valuation techniques, values are adjusted for credit and liquidity risk. Valuations are based on pricing of risk for similar instruments.

Impairment of financial assets

On each balance sheet date, the Group will consider whether there are objective indications that the financial assets have decreased in value. A financial asset or group of financial assets is written down if there are objective evidence of impairment. Objective evidence of a decrease in value include serious financial problems on the part of the debtor, non-payment or other serious breaches of contract, the probability that the debtor will enter into debt negotiations or other special circumstances that have occurred.

Individual write-downs on loans

If objective indications of a decrease in value can be found, write-downs on loans are calculated as the difference between the value of the loan in the balance sheet and the net present value of estimated future cash flows discounted by the effective interest rate. Renegotiation of loan terms to ease the position of the borrower qualifies as objective indications of impairment. In accordance with IAS 39, the best estimate is used to assess future cash flows. The effective interest rate used for discounting is not adjusted to reflect changes in the credit risk and terms of the loan due to objective indications of impairment being identified.

Individual write-downs on loans reduce the value of the commitments in the balance sheet. Changes in the assessed value of loans during the period are recorded under "Write-downs on loans and guarantees". Interest calculated according to the effective interest method on the written-down value of the loan is included in "Net interest income".

Collective write-downs on loans

Loans which have not been individually evaluated for impairment, are evaluated collectively in groups. Loans which have been individually evaluated, but not written down, are also evaluated in groups.

The evaluation is based on objective evidence of a decrease in value that has occurred on the balance sheet date and can be related to the group.

Loans are grouped on the basis of similar risk and value characteristics in accordance with the division of customers into sectors or industries and risk categories. The need for write-downs is estimated per customer group based on estimates of the general economic situation and loss experience for the respective customer groups.

Collective write-downs reduce the value of the commitments in the balance sheet. For loans, changes during the period are recorded under "Write-downs on loans and guarantees". Like individual write-downs, collective write-downs are based on discounted cash flows. Cash flows are discounted on the basis of statistics derived from individual write-downs. Interest is calculated on commitments subject to collective write-downs according to the same principles and experience base as for commitments evaluated on an individual basis.

Repossession of assets

Assets which are repossessed as part of the management of non-performing and impaired commitments, are recorded at fair value at the time of acquisition. Such assets are recorded in the balance sheet according to the nature of the asset. Subsequent valuations and classification of the impact on profits follow the principles for the relevant balance sheet item.

8. HEDGE ACCOUNTING

The Group enters into hedging transactions to manage interest rate risk on long-term borrowings and deposits in foreign currencies. These transactions are recorded as fair value hedges.

When instruments are individually hedged, there is a clear, direct and documented correlation between changes in the value of the hedged item resulting from the hedged risk and changes in the value of the financial derivative (hedging instrument).

Upon entering into the hedge relationship, the correlation between the hedged item and the hedging instrument is documented. In addition, the goal and strategy underlying the hedging transaction are documented. Changes in fair value related to the hedged risk of the hedged item and instrument are evaluated periodically to ensure the necessary hedge effectiveness. Hedging instruments are recorded at fair value and included under "Net gains on financial instruments at fair value" in the income statement.

Changes in the fair value of the hedged item attributable to the hedged risk will be recorded as an addition to or deduction from the balance sheet value of financial liabilities and assets and recorded under "Net gains on financial instruments at fair value" in the income statement.

If the hedge relationship ceases or adequate hedge effectiveness cannot be verified, the change in value of the hedged item is amortised over the remaining maturity.

DNB Bank ASA undertakes fair value hedging of investments in foreign subsidiaries to eliminate the currency risk on the invested amount. Hedging transactions are in the form of currency swaps or long-term borrowings in foreign currency. In the consolidated accounts, the hedge relationships are recorded as hedging of net investments in international operations.

9. OFFSETTING

Financial assets and financial liabilities are offset and the net amount recorded in the balance sheet only when the Group has a legally enforceable right to set off the amounts and intends to settle assets and liabilities on a net basis, or to realise the asses and settle the liabilities collectively.

10. LEASING

A lease is classified as a finance lease if it transfers substantially the risks and rewards incident to ownership. Other leases are classified as operational leases.

Accounting principles (continued)

DNB as lessor

Operational leases

Operating leases are leases where a not insignificant share of the risk and rewards relating to the investment in the leased object accrues to DNB at the end of the lease period. Operating assets are recorded as machinery, fixtures and fittings and means of transport. Income from operating leases is recognised over the lease term on a straight-line basis. Depreciation in the accounts is classified as ordinary depreciation.

Financial leases

Finance leases are classified as lending and at the inception of the lease, its value is set at an amount equal to the net investment in the lease. The net investment represents minimum lease payments, unguaranteed residual values and any direct expenses incurred by the lessor in negotiating the lease, discounted by the implicit interest rate (internal rate of return). Leasing income is recorded according to the annuity method, where the interest component is recorded under "Net interest income" while instalments reduce the balance sheet value of lending.

DNB as lessee

Operational leasing

Lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of DNB's use of the asset.

11. INVESTMENT PROPERTY AND FIXED ASSETS

Properties held to generate profits in customer portfolios through rental income or for an increase in value, are classified as investment property.

Other tangible assets are classified as fixed assets.

On initial recognition, investment properties are measured at cost including acquisition costs. In subsequent periods, investment properties are measured at fair value. No annual depreciation is made on investment property. Internal and external expertise is used for valuations. A selection of external appraisals are obtained and compared with internal valuations. Sensitivity tests are carried out for various estimates of parameter values included in an overall evaluation. Changes in value of investment property excluding property managed by DNB Livsforsikring are recorded under "Net gains on investment property" in the income statement. Changes in value of investment property within life insurance are recorded under "Net gains on assets at fair value in DNB Livsforsikring".

Other tangible assets are measured at cost less accumulated depreciation and write-downs. Cost includes expenses directly related to the acquisition of the asset. Subsequent expenses are capitalised on the relevant assets when it is probable that future economic benefits associated with the expenditure will flow to the Group and can be measured reliably. Expenses for repairs and maintenance are recorded in the income statement as they occur.

The residual values and useful lives of the assets are reviewed annually and adjusted if required. Gains and losses on the sale of fixed assets are recorded under "Net gain on fixed and intangible assets" in the income statement.

12. INTANGIBLE ASSETS

Goodwill

An annual impairment test is made for all cash-generating units which include goodwill. If there is objective evidence of a decrease in value during the year, a new test will be carried out in order to verify whether values are intact. The test is based on the units' recoverable amounts.

The choice of cash-generating unit is based on where it is possible to identify and separate cash flows relating to operations. A cash-generating unit may include goodwill from several transactions, and the impairment test of the unit includes all goodwill allocated to the unit.

Calculations of value in use are based on historical results and available budgets and plan figures approved by management. On the basis of plan figures for the cash-generating units, a future cash flow is estimated, defined as the potential return to the owner. The return includes profits from operations adjusted for the need to build sufficient capital to meet expected future capital adequacy requirements. Higher capital requirements due to expanded operations could make it necessary to retain part of the profits or to inject more capital from the owner, if profits from operations are not adequate to build the necessary capital. Beyond the plan period, which in most cases is three years, cash flow trends are assumed to reflect market expectations for the type of operations carried out by the cash-generating unit.

The required rate of return is based on an assessment of the market's required rate of return for the type of operations carried out by the cash-generating unit. The required rate of return reflects the risk of the operations. Goodwill from the acquisition of companies generating cash flows in foreign currencies is translated at rates of exchange ruling on the balance sheet date.

Development of IT systems and software

Acquired software is recorded at cost with the addition of expenses incurred to make the software ready for use. Identifiable costs for internally developed software controlled by the Group where it is probable that economic benefits will cover development expenses at the balance sheet date, are recorded as intangible assets. When assessing balance sheet values, the economic benefits are evaluated on the basis of profitability analyses. Development expenses include expenses covering pay to employees directly involved in the project, materials and a share of directly related overhead expenses. Expenses relating to maintenance of software and IT systems are charged to the income statement as they occur. Software expenses recorded in the balance sheet are depreciated according to a straight line principle over their expected useful life, usually five years. The need for impairment testing is considered according to the principles described below.

13. IMPAIRMENT OF FIXED AND INTANGIBLE ASSETS

On each reporting date and if there is any indication of a decrease in value of fixed and intangible assets, the recoverable amount of the asset is calculated to estimate possible impairment needs.

The recoverable amount represents the higher of an asset's fair value less costs to sell and its value in use. If the asset's recorded value exceeds the estimated recoverable amount, the asset is immediately written down to its recoverable amount. See note 41 Goodwill for a description of impairment testing.

The Group uses the following relevant criteria to consider whether there are indications that an asset has been impaired:

- a decline in the asset's market value
- changes in the long-term return requirement which may affect the discount rate used in the calculation of the asset's value in use
- plans to restructure or liquidate the asset
- the asset generates less income than anticipated.

14. PENSIONS

Defined benefit occupational pension schemes

In a defined benefit scheme, the employer is committed to paying future specified pension benefits.

Accounting principles (continued)

The basis for calculating pension expenses is a linear distribution of pension entitlements measured against estimated accumulated commitments at the time of retirement. Expenses are calculated on the basis of pension entitlements earned during the year with the deduction of the return on funds assigned to pensions.

Pension commitments which are administered through life insurance companies, are matched against funds within the scheme. When total pension funds exceed estimated pension commitments on the balance sheet date, the net value is classified as an asset in the balance sheet if it has been rendered probable that the overfunding can be utilised to cover future commitments. When pension commitments exceed pension funds, the net commitments are classified under liabilities in the balance sheet. Each scheme is considered separately.

Pension commitments represent the present value of estimated future pension payments which in the accounts are classified as accumulated on the balance sheet date. The calculation of pension commitments is based on actuarial and economic assumptions about life expectancy, rise in salaries and early retirement. The discount rate used is determined by reference to market yields at the balance sheet date on long term (10-year) government bonds, plus an addition that takes into account the relevant duration of the pension liabilities.

Deviations in estimates are recorded in the income statement over the average remaining service period when the difference exceeds the highest of 10 per cent of pension funds or 10 per cent of pension commitments.

The financial effects of changes in pension schemes are recorded as income or charged to expense on the date of the change, unless the rights under the new pension scheme are conditional on the employee remaining in service for a specified period.

Pension expenses are based on assumptions determined at the start of the period. Pension expenses are classified as personnel expenses in the income statement. Employer's contributions are included in pension expenses and pension commitments.

The Group's life insurance company, DNB Livsforsikring ASA, largely administers the Group's pension schemes in Norway. No eliminations are made with respect to the Group's pension commitments and pension funds or for pension expenses and premium income in the income statement.

Defined contribution occupational pension schemes

Under defined contribution pension schemes, the Group does not commit itself to paying specified future pension benefits, but makes annual contributions to the employees' group pension savings. Future pensions will depend on the size of annual contributions and the annual return on pension savings. After paying annual contributions, the Group thus has no further commitments linked to employees' work performance. Thus, no allocations are made for accrued pension commitments in such schemes. Defined contribution pension schemes are charged directly to the income statement.

15. INCOME TAX

Taxes for the year comprise payable taxes for the financial year, any payable taxes for previous years and changes in deferred taxes on temporary differences. Temporary differences are differences between the recorded value of an asset or liability and the taxable value of the asset or liability. The most significant temporary differences refer to pensions, depreciation of fixed assets and properties, impairment losses for goodwill and revaluations of certain financial assets and liabilities. Deferred taxes are calculated on the basis of tax rates and tax rules that are applied on the balance sheet date or are highly likely to be approved and are expected to be applicable when the deferred tax asset is realised or the deferred tax liability settled.

Deferred tax assets are recorded in the balance sheet to the extent that it is probable that future taxable income will be available against which they can be utilised. Deferred taxes and deferred tax assets in the tax group are recorded net in DNB's balance sheet.

Payable and deferred taxes are recorded against equity if the taxes refer to items recorded against equity during the same or in previous periods.

16. LIABILITIES TO POLICYHOLDERS

Products offered by DNB Livsforsikring include group pension insurance, group association insurance, individual endowment insurance, individual annuity and pension insurance, products with a choice of investment profile and group life insurance. In addition, DNB Livsforsikring offers individual risk non-life insurance, mainly statutory occupational injury insurance and appurtenant coverage.

Technical insurance reserves in life insurance

Technical insurance reserves, as defined in the Act on Insurance Activity, include the premium reserve, additional allocations, the market value adjustment reserve, the claims reserve, the risk equalisation fund and other technical reserves. In addition, the premium fund, deposit fund and the pensioners' surplus fund are included in insurance provisions. Apart from the risk equalisation fund, which is classified as equity, all insurance provisions are classified as liabilities to policyholders.

The premium reserve is a reserve to secure future insurance liabilities to policyholders and insured persons. The premium reserve represents the technical cash value, i.e. the net present value, of the company's total insurance liabilities including costs, less the cash value of future agreed premiums.

Additional allocations are a conditional allocation to policyholders where changes during the year are recognised in the income statement. The Insurance Act includes stipulations on the use and volume of additional allocations. According to these stipulations, maximum additional allocations per contract cannot exceed 12 per cent of the premium reserve for the contract. Actual allocations for the individual years are determined in connection with year-end adjustments. Additional allocations can be used to cover any rate-of-return shortfall if the annual return is lower than the guaranteed return.

The market value adjustment reserve represents the sum total of unrealised gains on current financial assets included in the common portfolio. If the portfolio of current financial assets shows a net unrealised loss, the market value adjustment reserve is set at zero. Unrealised gains and losses arising from exchange rate movements on derivatives used for currency hedging of properties, loans and held-to-maturity bonds in foreign currency are not included in the market value adjustment reserve.

The claims reserve shall cover the company's anticipated indemnity payments for insurance claims which have not been settled or advanced against the company at the end of the accounting year. The claims reserve represents only the funds that would have been disbursed during the accounting year if the processing of the insurance claims had been completed. With effect from 1 January 2011, the claims reserve also includes indirect claims processing costs.

The risk equalisation fund can be used to cover negative risk results and to strengthen premium reserves in connection with changes in demographic assumptions in the calculation base. Each year, up to 50 per cent of the company's total risk result can be allocated to the risk equalisation fund. The annual return is

Accounting principles (continued)

reviewed in connection with year-end adjustments. The risk equalisation fund is classified as equity in the balance sheet.

The premium fund contains premiums prepaid by policyholders within individual and group pension insurance. A share of annual profits is allocated to the pensioners' surplus fund. The fund is used to strengthen the premium reserve for pensioners in connection with adjustments in pension payments.

Liabilities, customers bearing the risk
Allocations relating to insurance liabilities for which customers bear the risk represent the market value of invested policyholders' funds at any given time. The reserve covers a share of the surplus on the risk result and the guaranteed rate of return on the portfolio of products with a choice of investment profile and should correspond to expected payments from the company to customers reaching retirement age.

Assessment of liabilities to policyholders
Liabilities should be in reasonable proportion to the associated risk. This is ensured through continual monitoring of existing contracts. Furthermore, all premium rates prepared by the company shall be reported to Finanstilsynet, which has overall responsibility for controlling that adequate premiums are applied. Prevailing premium rates are continually reviewed.

With respect to group pension insurance, the basis for calculating premium reserves was changed on 1 January 2008, including new assumptions for life expectancy and marital status. With respect to existing individual pension insurance contracts, the calculation base has been changed due to new assumptions for life expectancy. The changes will be financed according to an escalation plan approved by Finanstilsynet for a period starting on 1 January 2009 and ending on 31 December 2012. The basis for calculating disability risk is more recent, taking account of the increase in disability registered in society at large. The base rate is used to calculate the present value of future premiums, payments and insurance provisions. The maximum base rate is stipulated by Finanstilsynet, based on the yield on long-term government bonds. As from 1 January 2012, the maximum base rate will be 2.5 per cent for rights earned in the future.

Adequacy test

The Group carries out a quarterly adequacy test to assess whether its premium reserves are adequate to cover its liabilities to policyholders. The test is described in more detail in Note 18 Insurance risk.

Recording of changes in liabilities to policyholders

Insurance premiums and insurance settlements are recorded by the amounts earned and accrued during the year. Accrual of premiums earned takes place through allocations to the premium reserve in the insurance fund.

Insurance contracts transferred from other companies are recognised at the time the insurance risk is taken over. If the risk is transferred as at 31 December, it is reflected in the accounts for the subsequent year. Transfer amounts include the policies' shares of additional allocations, the market value adjustment reserve and profits for the year.

The item "Net gains on assets in DNB Livsforsikring" includes returns and gains less all losses, adjusted for allocations to or elimination of the market value adjustment reserve.

The item "Guaranteed returns and allocations to policyholders in DNB Livsforsikring" includes the company's guaranteed rate of return on policyholders' funds plus policyholders' share of profits including transfers to additional allocations.

Premium income and insurance settlements comprise the elements used as a basis for calculating the risk result. The share of payments from policyholders allocated to the insurance funds is recorded in the balance sheet.

Administrative expenses are charged to policyholders through premium payments, returns and the dissolution of reserves. Total charges for policyholders are included in "Commissions and fees receivable etc.". Operating expenses and commission expenses are recorded in the group accounts according to type.

Technical insurance reserves in non-life insurance

Technical insurance reserves are assessed pursuant to the Act on Insurance Activity with appurtenant regulations. Finanstilsynet has formulated separate minimum requirements for the various reserve categories, which include the reserve for unearned gross premiums, the gross claims reserve and the security reserve.

The reserve for unearned gross premiums represents accrual accounting of premiums written. The reserve relates to the unearned parts of the premiums written.

The claims reserve shall cover anticipated future compensation payments for claims which have been incurred, but not been fully settled on the balance sheet date. This includes both reported but not settled claims (RBNS) and incurred but not reported claims (IBNR). Reserves relating to known claims are assessed individually by the settlement team, while IBNR reserves are based on empirical data, using statistical models to estimate the scope of subsequent claims. With effect from 1 January 2011, the claims reserve also includes indirect claims processing costs.

The premium reserve and the claims reserve shall cover the Group's anticipated compensation payments arising from existing insurance contracts. The security reserve shall protect the company against unforeseen developments in compensation payments. The total of the premium, claims and security reserves shall, at a confidence level of 99 per cent, in accordance with statistical calculations, cover the company's obligations on the reporting date.

Recognition in the income statement

"Premium income DNB Skadeforsikring" includes premium income for own account. Insurance premiums are recorded as income in accordance with the insurance period.

"Insurance claims etc. DNB Skadeforsikring" includes the cost of claims for own account and changes in the security reserve. The cost of claims comprises paid gross compensation payments and changes in gross claims reserves, excluding the reinsurance share.

17. SEGMENTINFORMATION

The segment information has been prepared on the basis of internal financial reporting for the functional organisation of the DNB Group into business areas, as reported to the group management team (highest decision-making body) for an assessment of 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 are based on a number of assumptions, estimates and discretionary distribution. See note 3 Segments.

The operational structure of DNB includes four business areas and four staff and support units. DnB NORD is reported as a separate profit centre. The business areas carry responsibility for customer segments served by the Group, as well as the products offered.

According to DNB's management model, the business areas are independent profit centres with responsibility for meeting requirements for return on allocated capital. All of the Group's customer activities are divided among the business areas, along

Accounting principles (continued)

with the related balance-sheet items, income and expenses.

Excess liquidity and liquidity deficits in the business areas are placed in or borrowed from the Group Treasury at market terms, where interest rates are based on duration and the Group's financial position.

When business areas cooperate on the delivery of financial services to customers, internal deliveries are based on market prices or simulated market prices according to agreements. In certain cases where it is particularly difficult to find relevant principles and prices for the distribution of items between two cooperating business areas, DNB has chosen to show net contributions from each transaction in both business areas. The impact on profits is eliminated at group level.

Services provided by group services and staff units are charged to the business areas in accordance with service agreements. Joint expenses, which are indirectly linked to activities in the business areas, are charged to the business areas' accounts on the basis of distribution formulas.

A number of key functions along with profits from activities not related to the business areas' strategic operations are entered in the accounts under the Group Centre. This item comprises income and expenses relating to the Group's liquidity management, income from investments in equity instruments not included in the trading portfolio and interest income assigned to the Group's unallocated capital. Further entries include ownership-related expenses and income from the management of the bank's real estate portfolio.

Return on capital is estimated on the basis of internal measurement of risk-adjusted capital requirements.

Note 3 Segments also shows a geographic breakdown of operations, including DnB NORD and other international operations.

18. RESTRUCTURING

If restructuring plans that change the scope of operations or the way operations are carried out are approved and communicated, the need for restructuring provisions will be considered. The provisions are reviewed on each reporting date and will be reversed as expenses are incurred.

19. CASH FLOW STATEMENTS

The cash flow statements show cash flows grouped according to source and use. Cash is defined as cash, deposits with central banks and deposits with credit institutions with no agreed period of notice. The cash flow statement has been prepared in accordance with the direct method.

20. EQUITY AND CAPITAL ADEQUACY

Proposed dividends

Proposed dividends are part of equity until approved by the general meeting. Proposed dividends are not included in capital adequacy calculations.

Capital adequacy

Capital adequacy calculations are subject to special consolidation rules governed by the Consolidation Regulations. Primary capital and nominal amounts used in calculating risk-weighted volume will deviate from figures in the DNB Group's accounts, as associated companies which are presented in the accounts according to the equity method are included in capital adequacy calculations according to the gross method. Valuation rules used in the statutory accounts form the basis for the consolidation.

21. APPROVED STANDARDS AND INTERPRETATIONS THAT HAVE NOT ENTERED INTO FORCE

Amendments to IFRS 7 New disclosure information for derecognition of financial instruments

The amendments will require enhanced note information about financial instruments which have been transferred, but not derecognised. The amendments also require disclosure when financial assets are derecognised, but where the entity has a continuing involvement in the asset, e.g. through guarantees, options etc. The amendments to IFRS 7 entered into force on 1 July 2011 and were endorsed by the EU in the fourth quarter of 2011. The Group will apply the amendments to IFRS 7 as from 1 January 2012. The amendments affect the scope of note information presented in the annual accounts and have no impact on the Group’s profits and financial position.

IFRS 9 Financial Instruments

IFRS 9 will replace the current IAS 39. The project comprises several phases. The IASB has completed the first phase of the project on the classification and measurement of financial assets. Under the new IFRS, the number of measurement categories for financial assets is reduced from four to two, amortised cost and fair value. It will still be possible to use the fair value option for financial assets which initially must be recorded at amortised cost if fair value measurement will reduce or eliminate measurement inconsistency. It will no longer be permissible to record unquoted equity instruments at cost.

With respect to financial liabilities designated as at fair value, changes in fair value due to changes in credit risk should be recorded against other comprehensive income.

In order for a financial asset to be measured at amortised cost, the instrument must have basic features in common with loans and be managed on a contractual cash flow basis. If the criteria for measuring the financial instrument at amortised cost are not met, the instrument must be measured at fair value.

The new standard requires a review of the existing classification of all financial instruments in the Group's balance sheet.

It is assumed that loans to customers that are currently measured at amortised cost can generally still be measured at amortised cost according to the new rules.

Equities and financial derivatives will still be measured at fair value.

Commercial paper and bonds held for trading will be measured at fair value. The Group may consider measuring commercial paper and bonds classified as held-to-maturity at amortised cost if it intends to collect the instruments' contractual cash flows. Contract terms and the Group's business model must be considered specifically for each instrument.

Equity instruments will not meet the terms for measurement at amortised cost. According to the new standard, unquoted equity instruments cannot be measured at amortised cost. The amendment will not affect the measurement of the Group's equity instruments, as these are measured at fair value.

IFRS 9 will enter into force on 1 January 2015 (revised). It remains uncertain when the standard will be endorsed by the EU, and the EU has decided not to endorse IFRS 9 until all phases of the project are known.

The Group will consider the effects of the new IFRS 9. To be able to make an overall assessment of the accounting effects of the new classification and measurement of the Group's financial instruments, the Group considers it appropriate to wait until all elements in the new IFRS 9 are known.

Accounting principles (continued)

IFRS 10 Consolidated Financial Statements
The standard will replace the parts of IAS 27 which address consolidated financial statements and also include structured units, which were previously addressed in SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 establishes a control model which applies to all companies. The definition of control is somewhat different from that used in IAS 27. According to IFRS 10, companies shall only be consolidated if de facto control exists. De facto control exists if the investor has power over the investee, is exposed, or has rights, to variable returns from the investee and has the ability to use its power to direct the activities of the investee that significantly affect returns. Potential voting rights, options, convertible debt and other aspects should also be taken into account.

IFRS 10 will enter into force on 1 January 2013 and is expected to be endorsed by the EU in the fourth quarter of 2012.

Compared with the current IAS 27, the new standard is expected to require increased judgement when assessing which entities are controlled by the company. Due to the new definition of control, certain commitments or mutual funds may be reclassified. This will be considered during 2012. The new rules are not expected to have any material impact on the Group's profit and loss.

IFRS 11 Joint Arrangements
The standard will replace IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers.

The standard identifies two categories of joint control (joint arrangements): joint ventures and joint operations. When consolidating joint ventures, the equity method should be applied, while for joint operations, the parties should recognise their rights to assets and liabilities incurred jointly in their balance sheets.

IFRS 11 will enter into force on 1 January 2013 and is expected to be endorsed by the EU in the fourth quarter of 2012.

At year-end 2011, the DNB Group had no significant investments in jointly controlled operations. Thus, the new standard is not expected to have any material impact on the consolidated accounts.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 applies to companies which have interests in subsidiaries, jointly controlled operations, associated companies and structured entities. The standard replaces all of the disclosure requirements that were previously in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investment in Associates and IAS 31 Interests In Joint Ventures. In addition, a number of new disclosure requirements to, among others, IFRS 10 and IFRS 11, are introduced.

IFRS 12 will enter into force on 1 January 2013 and is expected to be endorsed by the EU in the fourth quarter of 2012.

The new standard is expected to require additional note information about ownership aspects.

IFRS 13 Fair Value Measurement
The standard includes principles and guidance for fair value measurement of assets and liabilities when other IFRSs require or permit fair value measurements. The standard does not change what is required or permitted to be measured at fair value.

IFRS 13 will enter into force on 1 January 2013 and is expected to be endorsed by the EU in the third quarter of 2012.

During 2012, DNB will review the fair value measurement of the Group's assets and liabilities to make sure that it is consistent with the principles in IFRS 13. IFRS 13 applies both at initial recognition and in subsequent measurements. The standard itself does not require extended use of fair value measurement, but will require adjustments in valuation methods and processes for financial instruments and investment properties which are already carried at fair value and affect impairment testing of goodwill and other intangible assets based on fair value. In given situations, the standard may result in significant increases in fair value. In addition, IFRS 13 requires more detailed note information.

Amendments to IAS 1 Presentation of Financial Statements
The amendments to IAS 1 entail that items of income and expense in other comprehensive income should be grouped together based on whether or not they can be reclassified to the profit or loss section of the income statement on a future date.

The amendments to IAS 1 will enter into force on 1 July 2012 or later and are expected to be endorsed by the EU in the first quarter of 2012.

The amendments will only affect the presentation in other comprehensive income.

Amendments to IAS 19 Employee Benefits
The amendments to IAS 19 will affect the recognition and presentation of the Group's defined benefit pension schemes.

One of the effects of the amendments is that the corridor approach for recognising actuarial gains and losses will be removed. Actuarial gains and losses should now be recognised in other comprehensive income in the year in which they occur.

In accordance with the current IAS 19, the Group presents pension expenses as operating expenses under "Salaries and other personnel expenses". In line with the new rules, pension expenses should be split, whereby:

- the current service cost and net interest income/expenses are to be recognised in profit or loss
- remeasurements, such as actuarial gains and losses, are to be recognised in other comprehensive income

In addition, the disclosure requirements relating to defined benefit pension schemes have been changed.

The amendments to IAS 19 will enter into force on 1 January 2013 and are expected to be endorsed by the EU in the first quarter of 2012.

In accordance with the current IAS 19, DNB uses the corridor approach for recognising actuarial gains and losses. Once the new rules are implemented in 2013, the Group will recognise unrecognised actuarial gains and losses for previous periods directly in the company's equity. The economic and actuarial assumptions used in actuarial calculations at end-December 2012 will determine the scope of the actuarial gains and losses to be recognised directly in equity on the implementation date. At year-end 2011, the Group's unrecognised actuarial losses totalled approximately NOK 5 billion, see note 27 Pensions. The new requirements would have resulted in a reduction in the Group's equity of approximately NOK 3.6 billion, net after 28 per cent tax. The effect on the Group's capital adequacy remains uncertain. The amendments will have no material impact on the Group's profit or loss.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
The amendments to the standard clarify the offsetting criterion in IAS 32, whereby there must be a legally enforceable right to set off recognised amounts, and the use of gross settlement mechanisms that are not simultaneous. The amendments will enter into force on 1 January 2014 and are expected to be endorsed by the EU in the fourth quarter of 2012. DNB has not finalised its assessment of the impact this may have on offsetting in the Group's balance sheet.

Accounting principles (continued)

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities
Note information is required to enable users of the accounts to assess the effects or the potential effects the offsetting of financial assets and liabilities will have on the company's financial position. The disclosure requirements apply to all financial instruments offset in accordance with IAS 32.

The amendments to IFRS 7 will enter into force on 1 January 2013 and are expected to be endorsed by the EU in the fourth quarter of 2012.

Amendments which are not expected to have a significant impact on the Group's use of accounting principles or note information:

Amendments to IAS 12 Income Taxes
The amendments imply that deferred tax on investment property carried at fair value according to IAS 40 Investment Property, as a rule should be determined based on the presumption that the carrying amount of the asset will be recovered through sale rather than use.

The amendments also apply to non-depreciable assets recorded at fair value according to the rules in IAS 16 Property, Plant and Equipment. The amendments to IAS 12 will enter into force on 1 January 2012 and are expected to be endorsed by the EU in the third quarter of 2012.

Revised IAS 27 Consolidated and Separate Financial Statements
In consequence of the introduction of IFRSs 10, 11 and 12, the IASB has made amendments to IAS 27 to harmonise the standard with the new accounting standards. Following the revision, IAS 27 only regulates the statutory accounts. The standard will enter into force on 1 January 2013 and is expected to be endorsed by the EU in the fourth quarter of 2012.

Revised IAS 28 Investment in Associates
In consequence of the introduction of IFRSs 10, 11 and 12, the IASB has made amendments to IAS 28. Following the revision, the standard comprises investments in both associates and joint ventures, which are required to be accounted for using the equity method. The standard will enter into force on 1 January 2013 and is expected to be endorsed by the EU in the fourth quarter of 2012.

Note 1 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. In turn, this will affect the recorded values of assets and liabilities, income and expenses. Estimates and discretionary assessments are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date.

Write-downs on loans

If objective evidence of a decrease in value can be found, write-downs on loans are calculated as the difference between the value of the loan in the balance sheet and the net present value of estimated future cash flows discounted by the effective interest rate. Estimates of future cash flow are based on empirical data and discretionary assessments of future macroeconomic developments and developments in problem commitments, based on the situation on the balance sheet date. The estimates are the result of a process which involves the business areas and central credit units and represents management's best estimate. When considering write-downs on loans, there will be an element of uncertainty with respect to the identification of impaired loans, the estimation of amounts and the timing of future cash flows, including collateral assessments.

Individual write-downs

When estimating write-downs on individual commitments, both the current and the future financial positions of customers are considered. For corporate customers, the prevailing market situation is also reviewed, along with market conditions within the relevant industry and general market conditions which could affect the commitments. In addition, potential restructuring, refinancing and recapitalisation are taken into account. An overall assessment of these factors forms the basis for estimating future cash flow. The discount period is estimated on an individual basis or based on empirical data regarding the period up until a solution is found to the problems resulting in impairment of the commitment.

Collective write-downs

On each balance sheet date, commitments which have not been individually evaluated for impairement, are evaluated collectively in groups. Commitments which have been individually evaluated, but not individually written down, are also included in this category. Commitments are divided into customer groups on the basis of macroeconomic conditions which are assumed to have the same effect on the relevant customers. The expected future cash flow is estimated on the basis of expected losses and the anticipated economic situation for the respective customer groups. Expected losses are based on loss experience within the relevant customer groups. The economic situation is assessed by means of economic indicators for each customer group based on external information about the markets. Various parameters are used depending on the customer group in question. Key parameters are production gaps, which give an indication of capacity utilisation in the economy, housing prices and shipping freight rates. To estimate the net present value of expected future cash flows for commitments subject to collective write-downs, the observed discount effect estimated for the individually evaluated commitments is used.

Lending to customers and lending to and deposits with credit institutions totalled NOK 1 308 billion at end-December, which represented 61.5 per cent of the Group's balance sheet.

Estimated impairment of goodwill

See note 41 for information regarding goodwill. Goodwill represented less than 1 per cent of the Group's balance sheet at year-end 2011.

Fair value of financial derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using different valuation techniques. The Group considers and chooses techniques and assumptions that as far as possible are based on market conditions on the balance sheet date. When valuing financial instruments for which observable market data are not available, the Group will make assumptions regarding what it expects the market to use as a basis for valuing corresponding financial instruments. The valuations require a high level of discretion when calculating liquidity risk, credit risk and volatility. Changes in these factors could affect the established fair value of the Group's financial instruments. See also note 32 Financial instruments at fair value.

When determining the fair value of Private Equity, PE, funds, the industry's recognised guidelines for PE valuations are used. The industry standard has been prepared by the European Private Equity & Venture Capital Association, EVCA. The method is considered to represent the best basis for the best estimate of fair values for investments in not very liquid equity instruments. When preparing interim accounts, the Group does not have access to valuations of PE funds. Valuations in the consolidated accounts are thus based on valuations received for previous periods, adjusted for a time lag of approximately three months, in the reporting from the funds. The time lags are assessed based on a weighted index consisting of stock market parameters, using MSCI World as reference index, along with parameters for anticipated long-term returns on PE investments. If developments in the weighted quarterly index are within a determined reliability interval of –2.5/+7.5 percentage points, the portfolio value is adjusted by the parameter for anticipated long-term returns. If developments in the weighted quarterly index fall outside the reliability interval, a full valuation must be made relative to the weighted index. The model is under continual development. PE funds represented less than 1 per cent of the Group's balance sheet at year-end 2011.

Valuation of properties within DNB Livsforsikring

The assumptions used in calculating the fair value of the property portfolio in DNB Livsforsikring can be found in note 38 Investment properties. Investment properties in DNB Livsforsikring represented 1.8 per cent of the Group's balance sheet at year-end 2011.

Pension commitments

The net present value of pension commitments depends on current economic and actuarial assumptions. Any change made to these assumptions affects the pension commitments amount recorded in the balance sheet and pension expenses.

Note 1 Important accounting estimates and discretionary assessments (continued)

The discount rate used is determined by reference to market yields at the balance sheet date on long term (10-year) government bonds, plus an addition that takes into account the relevant duration of the pension liabilities. The type of pension fund investments and historical returns determine the expected return on pension funds. In the past, the average return on pension funds has been higher than the risk-free rate of interest as part of the pension funds has normally been placed in securities with slightly higher risk than government bonds. The estimated return is expected to be 1.5 percentage points higher than the risk-free interest rate.

Other fundamental assumptions for pension commitments include annual rise in salaries, annual rise in pensions, anticipated increase in the National Insurance basic amount (G) and mortality statistics. The assumptions are based on the updated guidance notes on pension assumptions issued by the Norwegian Accounting Standards Board. A sensitivity analysis is shown in note 27 Pensions.

Income taxes, including deferred tax assets and uncertain tax liabilities

The Group is subject to income taxes in a number of jurisdictions. Significant discretion is required in determining the income tax in the consolidated accounts, including assessments of recognised deferred tax assets and uncertain tax liabilities.

Deferred tax assets are recognised to the extent it is probable that the Group will have future taxable income against which they can be utilised. Extensive assessments must be made to determine the amount which can be recognised, included the expected time of utilisation, the level of profits computed for tax purposes as well as strategies for tax planning and the existence of taxable temporary differences.

The final tax liability relating to many transactions and calculations will be uncertain. The Group recognises liabilities related to the future outcome of tax disputes based on estimates of additional taxes. When assessing the uncertain tax liabilities to be recognised in the balance sheet, the probability of the liability arising is considered. The liability is calculated on a best estimate basis. If the final outcome of the cases deviates from the originally allocated amounts, the deviations will affect income tax entered in the applicable period.

Contingencies

Due to its extensive operations in Norway and abroad, the DNB Group will regularly be party to a number of legal actions. Any impact on the accounts will be considered in each case. Among other things, the Group considers the probability of an unfavourable outcome and the possibility of making reliable estimates of potential losses. See note 54 Off-balance sheet transactions, contingencies and post-balance sheet events.

Technical insurance reserves in DNB Livsforsikring

With respect to technical insurance reserves in DNB Livsforsikring, risks and uncertainties are mainly related to the likelihood of death and disability, as well as the interest rate level. Higher life expectancy affects future expected insurance payments and provisions. See note 18 Insurance risk.

The Norwegian government's stimulus package

The Norwegian government's stimulus package for the banks allows the banks to exchange covered bonds for Treasury bills. DNB Bank ASA has purchased bonds from DNB Boligkreditt which have been used as collateral for swap agreements with Norges Bank. The value of the collateral must exceed the value of the Treasury bills by a minimum safety margin throughout the contract period. At the end of the contract period, 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. From an accounting perspective, the Group is of the opinion that the terms for derecognition in IAS 39 have not been fulfilled, as the Group, through the swap agreements, retain the risk associated with changes in value of the bonds and other cash flows in the form of yields.

The interest rate paid by the banks in the swap scheme with Norges Bank is determined through auctions. In order to assess the fair value of the Group's existing funding through the swap scheme with Norges Bank, it is necessary to calculate the anticipated long-term yield on Treasury bills. The Group has thus made an assessment of the normal spread between the Treasury bill yield and NIBOR, based on developments in the interest rate market, which has been used when estimating the value of the funding at year-end.

Transfer of loan portfolios

When transferring loan portfolios to, among others, Eksportfinans AS, the Group will consider whether the criteria for derecognition have been fulfilled in accordance with IAS 39. In cases where the Group retains the credit risk and margins relating to the loan portfolios, the risks and returns are not considered to be transferred to the counterparty, and the loan portfolios are retained in the Group's balance sheet. As at 31 December 2011, such portfolios totalled NOK 10 632 million.

Note 2 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, 4 in Sweden and 3 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.

Note 2 Change in group structure (continued)

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 3 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 NOR 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. The ordinary home mortgage operations of DNB Boligkreditt AS are integrated in Retail Banking, while the company's debt capital funding is shown under the Corporate Centre.
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 Livsforsikring is shown as a separate reporting segment under Insurance 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 3 Segments (continued)

Income statement **DNB Group**

Amounts in NOK million	Retail Banking 2011	Retail Banking 2010	Large Corporates and International 2011	Large Corporates and International 2010	DNB Markets 2011	DNB Markets 2010	Insurance and Asset Management 2011	Insurance and Asset Management 2010	DnB NORD 2011	DnB NORD 2010	Other operations/ eliminations [1] 2011	Other operations/ eliminations [1] 2010	DNB Group 2011	DNB Group 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 [2]	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
Operating expenses	9 624	9 135	2 429	2 084	1 988	1 820	2 223	2 166	1 349	1 199	388	(150)	18 001	16 254
Depreciation and impairment of fixed and intangible assets	1 035	1 155	44	46	11	13	110	122	504	501	468	420	2 172	2 256
Cost attributable to product suppliers	658	675	873	806	0	0	0	0	0	0	(1 531)	(1 481)	0	0
Total operating expenses	11 317	10 965	3 346	2 935	1 999	1 833	2 333	2 288	1 853	1 700	(675)	(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	161	348	755	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 [3]	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	(1 267)	(1 481)	808	1 194	18 407	18 108
Taxes													5 423	4 121
Profit from operations and non-current assets held for sale, after taxes											(5)	75	(5)	75
Profit for the year											802	1 268	12 979	14 062

Balance sheets **DNB Group**

Amounts in NOK billion	Retail Banking 31.12.11	Retail Banking 31.12.10	Large Corporates and International 31.12.11	Large Corporates and International 31.12.10	DNB Markets 31.12.11	DNB Markets 31.12.10	Insurance and Asset Management 31.12.11	Insurance and Asset Management 31.12.10	DnB NORD 31.12.11	DnB NORD 31.12.10	Other operations/ eliminations 31.12.11	Other operations/ eliminations 31.12.10	DNB Group 31.12.11	DNB Group 31.12.10
Net lending to customers [4]	819	759	402	351	3	4	2	3	56	59	(2)	(5)	1 279	1 170
Assets held for sale	0	0	0	0	0	0	0	0	0	0	1	1	1	1
Other assets	10	8	53	37	608	428	262	249	21	18	(109)	(50)	846	690
Total assets	829	767	454	388	612	432	264	252	77	77	(110)	(53)	2 126	1 862
Assets under management	0	0	0	0	0	0	262	279	0	0	0	0	262	279
Total combined assets	829	767	454	388	612	432	527	531	77	77	(110)	(53)	2 389	2 141
Deposits from customers [4]	426	384	262	217	28	21	0	0	26	24	(2)	(3)	740	642
Liabilities held for sale	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other liabilities	381	363	169	146	578	405	248	238	47	48	(155)	(92)	1 268	1 109
Total liabilities	808	747	431	363	606	426	248	238	73	72	(157)	(96)	2 008	1 750
Allocated capital [5]	21	20	24	25	6	6	16	14	4	5	47	42	118	111
Total liabilities and equity	829	767	454	388	612	432	264	252	77	77	(110)	(53)	2 126	1 862

1) Other operations/eliminations:

Amounts in NOK million	*Elimination of income/cost attributable to product suppliers 2011*	*Elimination of income/cost attributable to product suppliers 2010*	*Other eliminations 2011*	*Other eliminations 2010*	*Group Centre [*] 2011*	*Group Centre [*] 2010*	*Total 2011*	*Total 2010*
Net interest income - ordinary operations	*0*	*0*	*(103)*	*(87)*	*2 330*	*1 939*	*2 227*	*1 851*
Interest on allocated capital [2]	*0*	*0*	*0*	*0*	*(1 933)*	*(1 627)*	*(1 933)*	*(1 627)*
Net interest income	*0*	*0*	*(103)*	*(87)*	*397*	*312*	*294*	*224*
Other operating income	*0*	*0*	*(1 045)*	*(1 107)*	*4 259*	*3 471*	*3 214*	*2 364*
Income attributable to product suppliers	*(3 428)*	*(3 269)*	*0*	*0*	*0*	*0*	*(3 428)*	*(3 269)*
Net other operating income	*(3 428)*	*(3 269)*	*(1 045)*	*(1 107)*	*4 259*	*3 471*	*(214)*	*(905)*
Operating expenses	*0*	*0*	*(1 148)*	*(1 195)*	*1 536*	*1 045*	*388*	*(150)*
Depreciaton and impairment of fixed and intangible assets	*0*	*0*	*0*	*0*	*468*	*420*	*468*	*420*
Cost attributable to product suppliers	*(1 531)*	*(1 481)*	*0*	*0*	*0*	*0*	*(1 531)*	*(1 481)*
Total operating expenses	*(1 531)*	*(1 481)*	*(1 148)*	*(1 195)*	*2 004*	*1 464*	*(675)*	*(1 211)*
Pre-tax operating profit before write-downs	*(1 897)*	*(1 788)*	*0*	*0*	*2 652*	*2 319*	*755*	*530*
Net gains on fixed and intangible assets	*0*	*0*	*0*	*0*	*8*	*33*	*8*	*33*
Write-downs on loans and guarantees [3]	*0*	*0*	*0*	*0*	*(44)*	*(627)*	*(44)*	*(627)*
Write-downs attributable to product suppliers	*(1)*	*(3)*	*0*	*0*	*0*	*0*	*(1)*	*(3)*
Pre-tax operating profit	*(1 897)*	*(1 785)*	*0*	*0*	*2 705*	*2 979*	*808*	*1 194*

Note 3 Segments (continued)

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 and 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 Eksportfinans AS, investments in IT infrastructure and shareholder-related expenses. 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*	*2011*	*2010*
+ Gains Nordito **)	*0*	*1 170*
+ Interest on unallocated equity etc.	*863*	*568*
+ Income from equities investments	*102*	*616*
+ Mark-to-market adjustments Treasury and fair value on lending	*2 600*	*247*
+ Eksportfinans AS	*246*	*200*
- Unallocated write-downs on loans and guarantees	*(44)*	*(627)*
- Contractual pension (CPA) scheme	*0*	*(367)*
- Allocation to employees	*217*	*234*
- Ownership-related expenses (costs relating to shareholders, investor relations, strategic planning etc.)	*249*	*219*
- Unallocated pension expenses	*60*	*(9)*
- Impairment loss for intangible assets	*0*	*51*
- Funding costs on goodwill	*55*	*48*
Other	*(571)*	*(274)*
Pre-tax operating profit	*2 705*	*2 979*

***) Nordito AS merged with PBS Holding AS on 14 April 2010. The merger consideration provided a gain for the DNB Group of NOK 1 170 million.*

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 12 Development in write-downs on loans and guarantees for an analysis of the gross change in write-downs for the Group.*
4) *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.*
5) *Allocated capital for the business areas is calculated on the basis of internal measurement of risk-adjusted capital requirement. Allocated capital for the Group is recorded equity.*

Key figures	Retail Banking		Large Corporates and International		DNB Markets		Insurance and Asset Management		DnB NORD		Other operations		**DNB Group** DNB Group	
Per cent	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Cost/income ratio 1)	58.3	57.0	29.7	30.4	32.5	33.5	75.5	54.5	73.1	66.2			47.1	47.6
Ratio of deposits to lending as at 31 Dec. 2)	52.1	50.6	65.1	61.9					46.6	40.7			57.8	54.8
Return on allocated capital 3)	24.6	24.1	20.6	18.0	51.0	44.8	3.5	18.6	(16.8)	(19.1)			19.1	25.2
Number of full-time positions as at 31 Dec.	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) *Total operating expenses relative to total income. Expenses exclude impairment losses for goodwill and intangible assets.*
2) *Deposits from customers relative to net lending to customers.*
3) *The return on allocated capital for the business areas is calculated on the basis of internal measurement of risk-adjusted capital requirement. Recorded return on capital is used for the Group.*

Comments to the results 2011

Retail Banking

Pre-tax operating profits showed a positive trend, rising by NOK 495 million to NOK 7 214 million in 2011. There was a positive development in volumes, a reduction in write-downs and a satisfactory trend in non-performing commitments. The positive trend was attributable to Retail Banking's extensive product range, which meets customers' financial needs. Strong income from DNB Finans contributed to the business area's profits in 2011. Retail Banking showed a stable, sound trend 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. 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. There was a moderate rise in net interest income from 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 1.17 per cent in 2011, down from 1.25 per cent in 2010. There was an increase in other operating income, reflecting high net income from payment transactions and a greater 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 write-downs in both the retail and corporate markets. Net write-downs represented 0.11 per cent of net lending, down from 0.17 per cent in 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.

Note 3 Segments (continued)

Large Corporates and International

Pre-tax operating profits rose by NOK 609 million compared with 2010, to NOK 6 734 million. Average net lending to customers increased by 7.7 per cent from 2010. There were good opportunities in the markets towards the end of 2011, and the greater part of this increase took place during the second half of the year. Lending volumes expanded by NOK 23.8 billion from the third to the fourth quarter. Deposits from customers rose by 11.9 per cent from 2010, showing strong growth towards the end of the year. Rising volumes and a 0.22 percentage point widening of lending spreads relative to the 3-month money market rate from 2010 contributed to an increase in net interest income, in spite of higher long-term funding costs. There was strong competition for deposits, and deposit spreads were under pressure. 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. There was a rise in operating expenses from 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. 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 0.32 per cent of net lending to customers, of which individual write-downs represented 0.26 per cent. In 2010, net individual write-downs came to 0.17 per cent of net lending. Net non-performing and doubtful commitments amounted to NOK 6.4 billion at end-December 2011, up from NOK 2.7 billion a year earlier. 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 through 2011. 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 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 4 160 million, up NOK 522 million from 2010. Total customer-related revenues increased by 2.5 per cent from 2010, reflecting, in particular, a higher level of income from foreign exchange, interest rate and commodity derivatives, while a low level of market activity within corporate finance gave a reduction in income in this product segment. Both interest rate and currency markets were characterised by turmoil and volatility throughout the year, resulting in greater demand for various hedging instruments and strong customer revenues from foreign exchange and interest rate and commodity derivatives. Declining long-term interest rates in the second half of 2011 boosted demand for interest rate hedging. Developments in customer-related income from the sale of securities and other investment products reflected stock market volatility and a lack of risk willingness among investors during parts of 2011. Due to a higher level of income from equity derivatives and bond brokerage, however, there was an 8.3 per cent increase in total income from this product segment compared with 2010. DNB Markets was the largest brokerage house on Oslo Børs in 2011 in these product segments. Customer-related revenues from corporate finance services reflected the challenging market conditions in 2011, resulting in a low level of activity in the equity markets. On the other hand, there was brisk activity in the debt capital market during parts of the year, which helped ensure a stable level of income. DNB Markets established Debt Capital Markets units in Singapore and London during 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. Customer-related revenues from custodial and other securities services showed a positive trend due to a high level of activity for the year as a whole. Total income from market making and other proprietary trading rose by 24.0 per cent from 2010. Widening credit spreads resulted in mark-to-market losses on bonds, which will be reversed over time. These losses were more than offset by rising income from trading in foreign exchange and interest rate instruments. 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		**DNB Markets**
Amounts in NOK million	2011	2010
FX, interest rate and commodity derivatives	1 476	1 317
Investment products	432	399
Corporate finance	770	903
Securities services	230	218
Total customer revenues	2 908	2 838
Net income liquidity portfolio	591	1 151
Other market making/trading revenues	2 495	1 337
Total trading revenues	3 086	2 488
Interest income on allocated capital	165	145
Total income	6 159	5 471

Insurance and Asset Management

DNB Livsforsikring:

DNB Livsforsikring's profit performance in 2011 reflected the stock market downturn during the third quarter, though the markets made a certain recovery towards the end of the year. Following a review of operating systems and routines, a downward adjustment of profits of NOK 282 million was required. Pre-tax operating profits came to NOK 415 million in 2011, compared with NOK 1 724 million the previous year. DNB Livsforsikring achieved recorded and value-adjusted returns of 3.2 and 2.1 per cent, respectively, on the common portfolio in 2011. Corresponding figures for 2010 were 6.2 and 6.8 per cent. The corporate portfolio generated returns of 1.2 per cent in 2011 and 4.7 per cent in 2010. Premium income totalled NOK 23.3 billion in 2011, up 17.0 per cent compared with 2010.

DNB Asset Management:

DNB Asset Management recorded pre-tax operating profits of NOK 235 million in 2011, down NOK 42 million from the previous year. Total commission income was reduced by NOK 10 million from 2010, which reflected a NOK 5.2 billion decline in assets under management. 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.

Note 3 Segments (continued)

DnB NORD

Overall, the operations in DnB NORD generated pre-tax operating losses of NOK 1 267 million in 2011, compared with a loss of NOK 1 481 million in 2010. Performance in 2011 reflected a high level of write-downs on loans, especially in Latvia, while 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 380 million.

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 673 million was recorded in 2011, an improvement of NOK 191 million compared with 2010. Net lending to customers was reduced by 4.0 per cent, on average, from 2010 to 2011, but was relatively stable through 2011 and increased somewhat towards the end of the year. Lending volumes in Poland grew by 29.2 per cent from end-December 2010 to year-end 2011, while lending volumes in the Baltics were down 4.8 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 up 9.6 per cent from 2010. There was relatively strong growth in deposits towards the end of the 2011, 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 2010 to 2011 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 7.6 per cent from 2010, but remained at a high level, mainly due to extensive write-downs in Latvia, accounting for 78 per cent of total write-downs on loans in DNB Baltics and Poland. The write-downs represented 2.39 per cent of average lending, a slight reduction from 2.48 per cent in 2010. 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 2 705 million in 2011, compared with NOK 2 979 million in the year-earlier period. Nordito AS merged with PBS Holding on 14 April 2010. The merger consideration provided a gain of NOK 1 170 million. Income from equity investments totalled NOK 102 million in 2011, a decrease of NOK 514 million from the previous year. There was a profit contribution of NOK 2 600 million from own debt, loans carried at fair value and related derivatives in 2011, compared with a contribution of NOK 247 million in 2010. Profits attributable to the Group from the associated company Eksportfinans totalled NOK 246 million in 2011, including the share of the portfolio guarantee issued for the liquidity portfolio, compared with NOK 200 million in 2010. Pension expenses for the first quarter of 2010 were reduced by NOK 367 million due to the reversal of provisions for contractual early retirement pensions. Allocations for a general bonus to employees totalled NOK 217 million in 2011, in 2010 there was an allocations of NOK 234 million. In 2010, DnB NOR's Board of Directors decided to discontinue the use of the Postbanken brand. Thus, the value of the brand was written down by NOK 51 million. Collective write-downs of NOK 627 million were reversed in 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.

Geographic areas

Income statement								**DNB Group**
	DnB NORD		Other international operations		Norway		DNB Group	
Amounts in NOK million	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income	1 290	1 422	3 611	2 848	20 352	19 167	25 252	23 436
Net other operating income	724	627	1 990	1 709	14 040	13 821	16 754	16 156
Total income	2 014	2 048	5 600	4 556	34 391	32 987	42 006	39 592

Balance sheet items								**DNB Group**
	DnB NORD		Other international operations		Norway		DNB Group	
Amounts in NOK billion	31.12.11	31.12.10	31.12.11	31.12.10	31.12.11	31.12.10	31.12.11	31.12.10
Net lending to customers	56	59	185	162	1 039	950	1 279	1 170
Total assets	77	77	409	304	1 640	1 480	2 126	1 862
Guarantees	2	2	25	15	66	59	93	76

Product information

See note 19 Net interest income, note 20 Interest rates on selected balance sheet items, note 21 Net commissions and fees receivable and note 22 Other income for further information on product.

Note 3 Segments (continued)

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**	
Amounts in NOK million	2011	2010
Commissions and fees receivable etc.	2 162	2 303
Commissions and fees payable etc.	315	358
Net gains on assets in DNB Livsforsikring *)	5 795	15 068
Guaranteed returns and allocations to policyholders in DNB Livsforsikring	5 772	13 500
Premium income etc. included in the risk result in DNB Livsforsikring	4 941	4 721
Insurance claims etc. included in the risk result in DNB Livsforsikring	4 853	4 977
Other income	29	0
Net other operating income	**1 988**	**3 258**
Total income	**1 988**	**3 258**
Salaries and other personnel expenses	674	637
Other expenses	791	779
Depreciation and impairment of fixed and intangible assets	107	118
Total operating expenses	**1 573**	**1 534**
Net gains on fixed and intangible assets	0	1
Pre-tax operating profit	**415**	**1 724**
Taxes	101	(672)
Profit for the year [2]	**314**	**2 396**

**) Of which:*		
Financial instruments at fair value	*(1 114)*	*9 558*
Commercial paper and bonds, held to maturity	*3 518*	*3 010*
Loans and deposits	*260*	*98*
Investment property	*3 056*	*2 605*
Other	*75*	*(202)*

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*

	DNB Livsforsikring	
Amounts in NOK million	*2011*	*2010*
Interest result	*(74)*	*6 033*
Application of/(transferred to) additional allocations	*524*	*(407)*
Risk result	*129*	*(242)*
Administration result	*(192)*	*(104)*
Upfront pricing of risk and guaranteed rate of return	*531*	*552*
Transferred from security reserve	*(41)*	*(14)*
Funds transferred to policyholders	*462*	*4 093*
Pre-tax operating profit	*415*	*1 724*
Taxes	*101*	*(672)*
Profit for the year	*314*	*2 396*

Note 3 Segments (continued)

Balance sheets [1]	**DNB Livsforsikring**	
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
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 [3]	23 776	23 506
Financial derivatives	1 470	2 445
Commercial paper and bonds, held to maturity [4]	73 954	68 038
Investment property [5]	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 [3] [6]	23 776	23 506
Liabilities to life insurance policyholders in DNB Livsforsikring [6]	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) *See note 33 Shareholdings for a specification of the largest investments in shares in DNB Livsforsikring.*
3) *See note 36 Financial assets and insurance liabilities, customers bearing the risk.*
4) *See note 37 Commercial paper and bonds, held to maturity.*
5) *See note 38 Investment properties.*
6) *See note 18 Insurance risk.*

Key figures	**DNB Livsforsikring**	
Per cent	2011	2010
Recorded return, excluding changes in unrealised gains on financial instruments [1]	3.2	6.2
Value-adjusted return, excluding changes in unrealised gains on commercial paper and bonds, held to maturity [1]	2.1	6.8
Value-adjusted return, including changes in unrealised gains on commercial paper and bonds, held to maturity, and unrealised gains on current assets [1]	2.8	6.9
Capital adequacy ratio at end of period [2]	15.3	11.0
Tier 1 capital ratio at end of period [2]	13.9	9.7
Solvency capital in per cent of requirement at end of period [2] [3]	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 capital is measured against the solvency margin requirement, which is linked to the company's insurance commitments. The solvency capital requirements for Norwegian life insurance companies are subject to regulations laid down by the Ministry of Finance on 19 May 1995.*

Note 4 Capitalisation policy and capital adequacy

The Basel Committee presented new capital and liquidity requirements on 16 December 2010 (Basel III), and the EU's new capital requirements directive, CRD IV, is expected to become effective on 1 January 2013. As part of the Group's Internal Capital Adequacy Assessment Process, ICAAP, the Board of Directors is in dialogue with Finanstilsynet (the Financial Supervisory Authority of Norway) regarding the capitalisation of the Group. The basis for this dialogue in 2011 is that the Group should have a common equity Tier 1 capital ratio of 10 per cent based on IRB measurement of risk-weighted volume under normal market conditions. According to these principles, the common equity Tier 1 capital ratio should not fall below 8.5 per cent during an economic recession. During 2011, a number of countries proposed new capital adequacy requirements which are more stringent than the Basel III proposals, and the Basel Committee has proposed additional capital buffers for systemically important banks. In consequence of these developments and feedback from Finanstilsynet, the Group's capitalisation policy will be revised, and the level of ambition will be raised.

The Group's capitalisation level shall support the bank's AA level rating target for ordinary long-term funding. Relative to the current risk-weighted volume, which is based on a combination of the standardised approach and the IRB approach, it has been estimated that measurement according to the IRB approach would have given a further reduction in risk-weighted volume of approximately 13 per cent at year-end 2011. The transitional rule stipulating that risk-weighted volume cannot be reduced below 80 per cent of corresponding amounts calculated in accordance with the Basel I rules, has not been taken into account. It has been proposed that this rule be extended to apply through 2015. The transitional rule will be reviewed in connection with the implementation of CRD IV. The DNB Group had a common equity Tier 1 capital ratio of 9.4 per cent and a capital adequacy ratio of 11.4 per cent at year-end 2011, compared with 9.2 and 12.4 per cent, respectively, at year-end 2010. The DNB Group is well prepared to meet the uncertain economic climate and stricter capitalisation requirements from the market and the authorities. The planned accumulation of capital will influence the growth limits.

According to the Group's capital strategy and dividend policy, the Group aims to be among the best capitalised financial services groups in the Nordic region based on equal calculation principles. In addition, the Group will seek to achieve satisfactory ratings. Dividends will be determined based on factors such as the need to maintain satisfactory financial strength and developments in external parameters, in addition to an evaluation of expected profit levels in a normal situation.

The Group aspires to ensure that companies at all levels within the Group are adequately capitalised.

After the allocation of profits for 2011 and share issues of NOK 8 billion aimed at DNB Bank ASA and NOK 3 billion aimed at DNB Livsforsikring, the holding company DNB ASA had a net liquidity reserve of NOK 4 billion.

The DNB Bank Group had a common equity Tier 1 capital ratio of 9.3 per cent and a capital adequacy ratio of 11.5 per cent at year-end 2011, compared with 8.3 and 11.7 per cent, respectively, a year earlier. In order to increase confidence in European banks, the European Banking Authority, EBA, issued new and stricter capitalisation requirements for European banks in the autumn of 2011. European banks are required to hold common equity Tier 1 capital of minimum 9 per cent by 30 June 2012 after adjusting for any unrealised losses on investments in Treasury bonds. According to Finanstilsynet, the requirement applies both to the banking group and the entire DNB Group. At year-end 2011, DNB met the requirement by a wide margin for both entities. In addition, a separate requirement from the US authorities to the banking group relating to the operations of the subsidiary DNB Markets Inc. in New York must be fulfilled, whereby the Tier 1 capital ratio for the banking group must be 6 per cent and the total capital adequacy ratio 10 per cent. At year-end 2011, this requirement was also fulfilled by a wide margin.

DNB Livsforsikring had a capital adequacy ratio of 15.3 per cent and a solvency margin of 191.7 per cent at year-end 2011, which is well above the regulatory requirements of 8 per cent and 100 per cent, respectively. Total annual profits after tax were NOK 314 million, all of which was retained in the company. Finanstilsynet has given the company permission to use NOK 464 million of policyholders' share of profits to strengthen technical insurance provisions. As from 2013 or 2014, the current solvency rules will be replaced by a common regulatory framework for the capitalisation of insurance companies in Europe, Solvency II. DNB Livsforsikring is making the necessary preparations for this by, for example, adapting the management of the company to Finanstilsynet's stress tests and supervisory methodology and by participating in Quantitative Impact Studies (QIS) organised by the European supervisory organisation.

At year-end 2011 DNB Boligkreditt AS had a Tier 1 ratio of 7.8 per cent and a Capital ratio of 8.9 per cent.

In addition to the regulatory assessment and allocation of capital to the Group's legal units, an allocation of capital to the operative business areas is made for management purposes, based on a calculation of risk-adjusted capital requirements.

Note 4 Capitalisation policy and capital adequacy (continued)

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.	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.
Amounts in NOK million	2011	2010	2011	2010	2011	2010
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 debt 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 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 4 Capitalisation policy and capital adequacy (continued)

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.

Specification of risk-weighted volume and capital requirements **DNB Group**

Amounts in NOK million	Nominal exposure 31 Dec. 2011	EAD [1] 31 Dec. 2011	Risk-weighted volume 31 Dec. 2011	Capital requirements 31 Dec. 2011	Capital requirements 31 Dec. 2010
IRB approach					
Corporate	824 706	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
Other retail	90 589	74 489	23 641	1 891	1 778
Securitisation	95 062	95 062	9 402	752	735
Total credit risk, IRB approach	1 556 833	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
Other retail	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	2 326 523	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 rule			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.

Note 4 Capitalisation policy and capital adequacy (continued)

Basel II implementation

Further progress

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

	Reporting methods for credit risk in capital adequacy calculations	
Portfolios	31 Dec. 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' liquidity 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 5 Risk management

Risk management in DNB

The Board of Directors of DNB ASA has a clearly stated goal to maintain a low overall risk profile, which is reflected in the DNB Bank ASA's aim to maintain at least an AA level rating for ordinary long-term debt. The profitability of DNB will depend on the banking group's ability to identify, manage and accurately price risk arising in connection with financial services.

Organisation and authorisation structure

- *Board of Directors*. The Board of Directors of DNB ASA sets long-term targets for the Group’s risk profile. The risk profile is operationalised through the risk management framework, including the establishment of authorisations. Risk-taking should take place within established limits.
- *Authorisations*. Authorisations must be in place for the extension of credit and for position and trading limits in all critical financial areas. All authorisations are personal. Authorisations and group limits are determined by the Board of Directors and can be delegated in the organisation, though any further delegation requires approval by an immediate superior.
- *Annual review of limits*. Risk limits are reviewed at least annually in connection with budget and planning processes.
- *Independent risk management functions*. Risk management functions and the development of risk management tools are undertaken by units that are independent of operations in the individual business areas.

Monitoring and use

- *Accountability*. All executives are responsible for risk within their own area of responsibility and must consequently be fully updated on the risk situation at all times.
- *Risk reporting*. Risk reporting in the Group ensures that all executives have the necessary information about current risk levels and future developments. To ensure high-quality, independent risk reports, responsibility for reporting is assigned to units that are independent of the operative units.
- *Capital assessment*. A summary and analysis of the Group's capital and risk situation is presented in a special risk report to DNB ASA`s Board of Directors.
- *Use of risk information*. Risk is an integral part of the management and monitoring of business areas. Return on risk-adjusted capital is reflected in product pricing, profit calculations and in monitoring performance in the business areas.

Relevant risk measures

- *A common risk measure for the Group*. The Group's risk is measured in the form of risk-adjusted capital, calculated for main risk categories and for all of the Group's business areas. See the paragraph on ”Risk-adjusted capital for the DNB Group” for more information.
- *Supplementary risk measure*. In addition, risk is followed up through supplementary risk measures adapted to operations in the various business areas, for example monitoring of positions relative to limits, key figures and portfolio risk targets.

Risk categories

For risk management purposes, DNB distinguishes between the following risk categories:

- *Credit risk* is the risk of losses due to failure on the part of the Group's counterparties or customers to meet their payment obligations towards the DNB Group. Credit risk refers to all claims against counterparties or customers, including credit risk in trading operations, country risk and settlement risk. Note 6 contains an assessment of the Group's credit risk at year-end 2010 and 2011.
- *Market risk* is the risk of losses or reduced future income due to fluctuations in market prices or exchange rates. The risk arises as a consequence of the bank's unhedged transactions and exposure in the foreign exchange, interest rate, commodity and equity markets. Notes 13-16 contain an assessment of the Group's market risk at year-end 2010 and 2011.
- *Liquidity risk* is the risk that the Group will be unable to meet its obligations as they fall due, and risk that the Group will be unable to meet its liquidity obligations without a substantial rise in appurtenant costs. In a broader perspective, liquidity risk also includes the risk that the Group will be unable to finance increases in assets as its funding requirements rise. Note 17 contains an assessment of the Group's liquidity risk at year-end 2010 and 2011.
- *Market risk in life insurance* is the risk that the return on financial assets will not be sufficient to meet the obligations specified in insurance policies.
- *Insurance risk* comprises insurance risk in life insurance and risk in non-life insurance. Within life insurance, risk is related to changes in future insurance obligations due to changes in life expectancy and disability rates. Within non-life insurance, insurance risk includes insurance, market, credit, operational and business risk. Insurance risk represents the greatest risk and is the risk of losses if insurance premiums fail to cover future claims payments.
- *Operational risk* is the risk of losses due to deficiencies or errors in processes and systems, errors made by employees or external events.
- *Business risk* is the risk of losses due to changes in external factors such as the market situation or government regulations. This risk category also includes reputational risk.
- *Basis risk* is the risk that the change in value of a hedge does not fully match the change in value of the underlying position it hedges. The reasons for the mismatch in value (basis risk) can be different start dates, maturity dates, delivery locations or quality, advantages/disadvantages of maintaining a holding of the underlying instrument credit risk and supply and demand effects.

Note 5 Risk management (continued)

Risk-adjusted capital for the DNB Group

Risk-adjusted capital is a measure of the risk of losses generated by various business operations. Risk-adjusted capital makes it possible to compare risk across risk categories and business areas. Average losses over a normal business cycle represent expected costs which should primarily be covered through correct pricing of the Group's products. Risk-adjusted capital should cover unexpected losses. The quantification of risk-adjusted capital is based on statistical probability calculations for the various risk categories on the basis of historical data. As it is impossible to guard against all potential losses, DNB has stipulated that risk-adjusted capital should cover 99.97 per cent of potential losses according to the modelled loss distribution within a one-year horizon. This level is in accordance with an AA level rating target for ordinary long-term debt.

Risk-adjusted capital and average losses over a normal business cycle are elements in calculations of risk-adjusted return, which is a key financial management parameter in the internal management of the DNB Group. The calculations are included in the financial planning for the business areas and are reported each month. Risk-adjusted return is a measurement parameter in the pricing model and is reported monthly in automated management systems. Risk-adjusted capital is also used as decision support for risk management.

DNB quantifies risk-adjusted capital for the following risk categories: credit risk, market risk, market risk in life insurance, insurance risk, operational risk and business risk. The risk-adjusted capital for the various risk categories is calculated separately. In addition, risk-adjusted capital is calculated for each business area. A diversification or portfolio effect arises when the various risks are considered together, as it is unlikely that all losses will occur at the same time. An economic downturn will normally have a negative effect on most areas, but there will be a diversification effect, as not all areas will be hit equally hard. The diversification effect between risk categories and business areas implies that the Group's risk-adjusted capital will be much lower than if the business areas had been independent companies.

At end-December 2011, net risk-adjusted capital for the Group was estimated at NOK 63.3 billion, an increase of NOK 4.2 billion from end-December 2010.

Risk-adjusted capital for the DNB Group

Amounts in NOK billion	DNB Group 2011	DNB Group 2010 [1)]
Credit risk	50.1	45.5
Market risk	5.2	6.0
Market risk in DNB Livsforsikring	10.6	12.5
Insurance risk	1.8	1.8
Operational risk	8.7	7.7
Business risk	4.7	4.5
Gross risk-adjusted capital	81.2	78.0
Diversification effect [2)]	(17.9)	(18.8)
Net risk-adjusted capital	63.3	59.1
Diversification effect in per cent of gross risk-adjusted capital [2)]	22.0	24.2

1) *With effect from 2011, market risk for the corporate portfolio in DNB Livsforsikring was reported as part of the Group's market risk. Figures for 2010 have been restated accordingly.*

2) *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 allocated to the business areas is based on the same framework as for the Group. Risk-adjusted profitability measures risk-adjusted profits relative to allocated capital. This enables comparisons of financial performance across business areas.

Processes have been established in DNB to assess capital requirements relative to the Group's risk profile and the quality of established risk management and control systems. Developments in capital levels are a key element in long-term financial planning. The DNB Group is required by the authorities to carry out an assessment of its risk profile and capital requirements, called ICAAP, Internal Capital Adequacy Assessment Process. DNB Livsforsikring is part of this process, and a separate assessment is made of the company's capital requirements. The assessment is considered by DNB Livsforsikring's Board of Directors. The assessment is subject to an annual review by Finanstilsynet through SREP, Supervisory Review and Evaluation Process. Finanstilsynet thus gives feedback on the capitalisation of the Group, including DNB Livsforsikring.

Risk-adjusted capital per business area as at 31 December 2011 **DNB Group**

Per cent	Retail Banking	Large Corporates and International	DNB Markets	Insurance and Asset Management	Equity Investments	DNB Baltics and Poland	DNB Group
Credit risk	82.7	86.2	63.8			79.8	61.7
Market risk	2.6	1.3	9.7		100.0	1.6	6.5
Market risk in life insurance				67.5			13.1
Insurance risk in life insurance				6.4			1.2
Non-life insurance risk				5.3			1.0
Operational risk	8.7	8.4	12.9	16.4		13.1	10.7
Business risk	6.0	4.1	13.6	4.4		5.5	5.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total risk-adjusted capital in NOK billion	22.1	24.8	6.6	13.4	2.0	3.9	

Note 5 Risk management (continued)

More about risk in DNB Livsforsikring ASA

Risk in DNB Livsforsikring ASA includes market, insurance, credit, operational and business risk. Market and insurance risk in life insurance comprises the risk that the return on financial assets will not be sufficient to meet the obligations specified in insurance policies and the risk related to changes in future insurance payments due to changes in life expectancy and disability rates.

According to current parameters for life insurance operations in Norway, DNB Livsforsikring carries the risk of fulfilling the company's commitments in contracts with policyholders. The return on financial assets must be sufficient to meet the guaranteed annual return to the company's policyholders. If this is not the case, additional allocations will have to be used, representing buffer capital built up from profits in previous years. Alternatively, the shortfall could be charged to equity.

Risk management in DNB Livsforsikring is part of the company's strategy, which has been approved by the Board of Directors. Through regular assessments by the Group's Asset and Liability Committee, ALCO, the risk situation in DNB Livsforsikring is reviewed relative to the Group's overall risk profile. DNB Livsforsikring's chief executive and Board of Directors are to help ensure that DNB Livsforsikring's risk management and strategy are consistent with the Group's risk profile. The Risk Analysis and Control unit is responsible for reporting, monitoring and follow-up of total risk in DNB Livsforsikring and is organised independent of the Group's financial management and business areas.

The Group's risk, including DNB Livsforsikring, is measured in the form of risk-adjusted capital requirements. The capital requirements reflect market, insurance, operational and business risk. Primary capital in DNB Livsforsikring is maintained at an adequate level relative to risk-adjusted capital, while the capitalisation of the company must also ensure the necessary buffers relative to the regulatory minimum capital adequacy and solvency margin requirements. The capitalisation of DNB Livsforsikring takes into account that the company is part of the DNB Group and that the Group's equity reserves can also be used to the benefit of DNB Livsforsikring. Risk-adjusted capital for DNB Livsforsikring totalled NOK 12.0 billion at year-end 2011, compared with NOK 13.8 billion a year earlier. Approximately 75 per cent of the NOK 12.0 billion represented market risk, 7 per cent insurance risk, 15 per cent operational risk, and the remaining 3 per cent business risk. Diversification effects between the various risk categories have been taken into account. A significant reduction in the company's equity exposure contributed to the decline in risk-adjusted capital through the year.

Solvency II are new EU regulations which, among other things, will replace the current minimum requirements for capital adequacy and solvency margin. The framework directive was approved in May 2009, and final implementation in national regulations is scheduled to take place by 1 January 2013. Due to a general transitional scheme, the capital adequacy requirement will not be implemented until 1 January 2014. A good dialogue has been established with government and industry bodies to ensure the best possible adaptation of the Norwegian regulations during the period until they enter into force.

The regulations are based on the same structure as Basel II, with three pillars. This implies that in addition to minimum capital adequacy requirements, Solvency II will also include qualitative requirements regarding operational and risk management, the internal capital adequacy assessment process and more stringent external reporting requirements. The new requirements will be more risk-sensitive and ensure better insight into insurance companies' actual risk profiles.

DNB Livsforsikring has participated in the quantitative studies implemented for the European insurance industry. The company has implemented a Solvecy II programme to ensure that it will be in compliance with the regulations on the implementation date. A Risk Management Section was established in the autumn of 2011 in order to transfer responsibility for the Solvency II programme to an operational unit.

Notes 13 to 15 specify market risk for the DNB Group, including risk linked to financial instruments in DNB Livsforsikring. Additional information concerning risk associated with operations in DNB Livsforsikring is presented in notes 16, 17 and 18.

Risk measurement is a field in constant development, and measurement methods and tools are subject to continual improvement.

Concentrations of risk

Concentrations of financial risk arise when financial instruments with identical characteristics are influenced in the same way by changes in economic or other factors. The identification of risk concentrations is subject to discretionary assessment. The general purpose of risk management in the Group is to reduce and control risk concentrations. The Group aims to avoid large credit risk concentrations, including large exposures to a customer or customer group as well as clusters of commitments in high-risk categories, industries and geographical areas, cf. notes 3, 7 and 8. Total credit risk as at 31 December 2011 is presented in note 6. With respect to market risk, concentration risk is restricted by limits ensuring that exposure is divided among a number of instruments, securing sound diversification to meet changes in share prices, exchange rates, commodity prices and interest rate levels. Concentrations of interest rate risk are presented in note 14. Currency risk is specified in note 15. The Group's largest investments in shares, mutual funds and equity certificates are specified in note 32. The Group has not identified material risk concentrations apart from in its core operations, including strategic priority areas, which are referred to above.

Note 6 Credit risk

Credit risk is the risk of losses due to failure on the part of the Group's counterparties or customers to meet their payment obligations towards the DNB Group. Credit risk represents the chief risk category for the Group and refers to all claims against customers, mainly loans, but also commitments in the form of other extended credits, guarantees, interest-bearing securities, approved, undrawn credits and offers of credit, as well as counterparty risk arising through derivatives and foreign exchange contracts. Settlement risk, which arises in connection with payment transfers as not all transactions take place in real time, also involves counterparty risk.

The maximum credit risk exposure will be the carrying amount of financial assets plus unrecorded exposure, which mainly includes guarantees, unutilised credit lines and offers of credit. Guarantees, unutilised credit lines and offers of credit are specified in note 54.

Loans and deposits designated as at fair value — **DNB Group**

Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
Loans and deposits designated as at fair value	102 817	117 034
Total exposure to credit risk	102 817	117 034
Value adjustment from credit risk 1)	336	445
Value adjustment from change in credit risk	(108)	(272)

1) Credit risk reflected in fair value measurements is based on normalised losses and changes in normalised losses in the relevant portfolio.

Credit risk exposure – loans

Notes 7 and 8 show the Group's credit risk exposure for principal sectors and according to geographic location. Notes 9 through 12 show impaired commitments and write-downs on loans and guarantees.

Classification of commitments

DNB divides commitments into ten risk classes based on probability of default. All credit customers are classified according to risk at least once a year and in connection with every credit decision.

DNB's risk classification 1)

	Probability of default within one year (per cent)		External rating	
Risk class	As from	Up to	Moody's	Standard & Poor's
1	0.01	0.10	Aaa - A3	AAA - A-
2	0.10	0.25	Baa1 - Baa2	BBB+ - BBB
3	0.25	0.50	Baa3	BBB-
4	0.50	0.75	Ba1	BB+
5	0.75	1.25	Ba2	BB
6	1.25	2.00		
7	2.00	3.00	Ba3	BB-
8	3.00	5.00	B1	B+
9	5.00	8.00	B2	B
10	8.00	impaired	B3, Caa/C	B-, CCC/C

1) DNB's risk classification system, where 1 represents the lowest risk and 10 the highest risk.

Commitments according to risk classification — **DNB Group**

Amounts in NOK billion	Gross lending to customers	Guarantee commitments	Undrawn limits (committed)	Total commitments
Risk category based on probability of default				
1 - 4	715	57	259	1 031
5 - 6	306	14	75	395
7 - 10	130	3	16	149
Non-performing and impaired commitments	28	0	0	28
Total commitments as at 31 December 2010 1)	1 179	74	350	1 603
Risk category based on probability of default				
1 - 4	766	68	310	1 144
5 - 6	372	23	98	493
7 - 10	121	3	20	144
Non-performing and impaired commitments	29	0	0	29
Total commitments as at 31 December 2011 1)	1 288	94	428	1 810

1) Based on nominal amount.

Loan-loss level 1)	2011	2010
Normalised losses including loss of interest income in per cent of net lending	0.31	0.33

1) The calculation of the loan-loss level is based on an evaluation of the probability of future losses (default frequency), exposure at default and the size of the estimated loss (loss ratio). Calculations are based on a certain level of discretion and estimation.

Note 6 Credit risk (continued)

Collateral security and other risk-mitigating measures

The Group's credit policy regulates credit activity in DNB. The customer's debt servicing capacity is the key element when considering whether to approve a credit. If the customer has not proven a satisfactory debt servicing capacity, credit should normally not be extended even if the collateral is adequate. Before credit is granted, extensive credit assessments are made according to prevailing policy and guidelines. In addition, DNB has a group policy for investments in commercial paper and bonds, where external ratings are a key factor. See note 37, which includes a description of DNB Markets' international bond portfolio.

In addition to extensive processes for credit assessment and monitoring, the Group uses collateral security to reduce risk, depending on the market and type of transaction. Collateral security can be in the form of physical assets, guarantees, cash deposits or netting agreements. The main types of collateral used are mortgages on residential property, commercial property and other real property, ships, rigs, registrable movables, accounts receivable, inventories, plant and equipment, agricultural chattel and fish-farming concessions. The principal rule is that physical assets should be insured. In addition, so-called negative pledges are used, where the customer is required to keep all assets free from encumbrances vis-à-vis all lenders. The credit process is based on an assessment of the customer's debt servicing capacity in the form of ongoing future cash flows. The source of such cash flows varies depending on customer segment and the customer's operations or the loan object. The main sources of the cash flow included in such assessments are earned income and income from the business operations which are being financed. In addition, the extent to which the bank's exposure will be covered through the realisation of collateral in connection with a possible future default or reduction in future cash flows is taken into account. When assessing mortgages backed by residential property, external appraisals are used. The large majority of home mortgages are within 80 per cent of the property's appraised value, and external parameters are used to regularly review house values. Evaluations of the value of collateral in the corporate market are based on a going concern assumption, with the exception of situations where write-downs have been made. In addition, factors which may affect the value of collateral, such as concession terms or easements and sales costs, are taken into account. With respect to evaluations of both collateral in the form of securities and counterparty risk, the estimated effects of enforced sales are also considered. The main principle for valuing collateral is to use the expected realisation value at the time the bank may need to realise the collateral. Extensive rules have been prepared as part of the credit process, including maximum rates for all types of collateral and realisation guidelines. Valuations of collateral should be made when approving new loans and in connection with the annual renewal and are considered to be part of credit decisions. A procedure has been established for the periodic control of the values on which the extension of credit is based.

The main categories of guarantors are private individuals, companies, guarantee institutes and banks. Guarantors are classified according to risk based on the bank's rating models. Debtors can only be assigned the guarantor's risk category provided that the guarantor is placed in risk class 6 or higher and the guarantee applies to the entire commitment. Guarantees can only serve as collateral and affect calculation of losses in the event of default if they are placed in risk class 6 or higher. Guarantees represent a limited part of total collateral.

The Group's netting rights are in compliance with general rules in Norwegian legislation. Netting clauses have been included in all of the bank's standard loan agreements and in product agreements in DNB Markets.

In addition to an assessment of the customer's debt servicing capacity, the future realisation value of collateral and netting rights, financial clauses are included in credit agreements. These clauses are a supplement to reduce risk and ensure adequate follow-up and management of the commitments. Such clauses may include minimum cash flow and equity ratio requirements.

In order to reduce risk concentrations, limits have also been established for exposure to individual segments.

Commitments showing a negative development are identified and followed up separately. The risk classification systems referred to above are used for decision support, risk monitoring and reporting.

Counterparty risk for derivatives

Derivatives are traded in portfolios where balance sheet products are also traded. The market risk of the derivatives is handled, reviewed and controlled as an integral part of market risk in these portfolios. Derivatives are traded with a number of different counterparties, and most of these are also engaged in other types of business. The credit risk that arises in connection with derivative trading is included in the DNB Group's overall credit risk. For a number of counterparties, netting agreements or bilateral guarantee agreements have been entered into, thus reducing credit risk. The authorities' capital adequacy requirements take such agreements into account by reducing the capital requirement.

CSA agreements (Credit Support Annex) have been entered into with most of the major banks. This implies that the market value of all derivatives entered into between DNB and the counterparty is settled either daily or weekly, whereby counterparty risk is largely offset. If the collateral is impaired (i.e. weaker rating) the minimum amount for the exchange of money will be reduced.

At year-end, the Group considered whether there were objective evidence that the financial assets had decreased in value. See note 10 Write-downs on loans and guarantees and note 37 Commercial paper and bonds, held to maturity. At year-end 2011, the Group's exposure to the so-called PIIGS countries (Portugal, Ireland, Italy, Greece and Spain) totalled approximately NOK 21 billion, the majority of which referred to DNB Markets' international bond portfolio (NOK 17.4 billion). The Group had no exposure to Greece.

The financial effects of collateral and other risk-mitigating measures are believed to reduce the Group's credit risk to a satisfactory level. In addition, the level of write-downs upon default is reduced. See also note 5, in which the Group's credit risk is quantified in terms of risk-adjusted capital requirements. Risk-adjusted capital for credit increased by NOK 4.6 billion during 2011 due to rising volumes and was estimated at NOK 50.1 billion at end-December.

Note 6 Credit risk (continued)

Write-down ratio

Amounts in NOK million	DNB Group 31 Dec. 2011	DNB Group 31 Dec. 2010
Non-performing commitments (gross)	16 793	17 313
Impaired commitments (gross)	12 296	10 369
Gross non-performing and impaired commitments	29 089	27 682
Individual write-downs	9 624	9 273
Collective write-downs	2 119	1 872
Write-downs in per cent of gross non-performing and impaired commitments	40.4	40.3
Collateral for non-performing and impaired commitments	18 209	17 793
Write-downs and collateral in per cent of gross non-performing and impaired commitments	103.0	104.5

Past due loans not subject to write-downs

The table below shows overdue amounts on loans and overdrafts on credits/deposits broken down on number of days after the due date that are not due to delays in payment transfers. Past due loans and overdrafts on credits/deposits are subject to continual monitoring. Commitments where a probable deterioration of customer solvency is identified are reviewed for impairment. Such reviews are also carried out for the commitments included in the table in cases where no deterioration of customer solvency has been identified. Past due loans subject to impairment are not included in the table.

Amounts in NOK million	DNB Group 31 Dec. 2011	DNB Group 31 Dec. 2010
No. of days past due/overdrawn		
1 - 29	208	1 238
30 - 59	263	466
60 - 89	95	103
> 90	213	261
Past due loans not subject to write-downs	779	2 068

Repossessed properties and other assets - recorded value

Repossessed assets are assets acquired by units within the Group as part of the management of non-performing and impaired commitments. At the time of acquisition, such assets are valued at their estimated realisable value. Any deviation from the carrying value of non-performing and impaired commitments at the time of acquisition is classified as write-downs on loans. Repossessed assets are recorded in the balance sheet according to the type of asset. When acquiring shares or mutual fund holdings, the assets are evaluated according to the principles described in the Accounting principles. Upon final sale, the difference relative to carrying value is recognised in the income statement according to the type of asset. Property additions in 2010 mainly included the acquisition of the companies FB 40 ApS and København Ejendomme from DNB Baltics and Poland's operations in Denmark and repossessed investment properties in Latvia and Lithuania. Other asset additions in 2010 mainly included machinery, equipment and vehicles taken over from DNB Baltics and Poland's operations in Estonia. Property additions in 2011 mainly included the acquisition of the companies Royston/Propinvest. Disposals in 2011 mainly relates to the residential market in Latvia.

Amounts in NOK million	DNB Group 2011	DNB Group 2010
Repossessed properties and other repossessed assets as at 1 January	2 822	224
Property additions	2 559	2 626
Other asset additions	0	119
Property disposals	196	22
Other asset disposals	0	125
Repossessed properties and other repossessed assets as at 31 December	5 185	2 822

Companies/parts of companies acquired in 2011

Royston/Propinvest

On 16 June 2011, DnB NOR 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 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 property values are included in the above table.

Relacom AB

As part of the restructuring of the Realcom Group, the creditors took over all shares in Realcom AB in April 2011. Debt totalling SEK 2.3 billion was thereafter converted to equity capital. The banking group's ownership interest in the company was 30.76 per cent at year-end 2011. The balance sheet value of the investment was NOK 32 million. See note 37 Investments in associated companies for more information. The investment is not included in the above table.

Note 6 Credit risk (continued)

Companies/parts of companies acquired in 2010

København Ejendomme Holding Aps (København Ejendomme)
On 21 October 2010, Bovista, RC Real Estate, Nykredit, Bank DnB NORD and DnB NOR Bank ASA entered into an agreement to settle an ongoing legal dispute. The agreement implied that DnB NOR Bank ASA purchased the property portfolio from the company in liquidation, Bovista, at fair value and paid an additional compensation to settle the dispute. The total amount paid was DKK 2 023 million. The properties were taken over on 1 December 2010. The property portfolio consists of 1 083 flats in prime location, mainly in central parts of Copenhagen. The repossessed properties are included in the above table.

FB 40 ApS
In 2010, Bank DnB NORD in Copenhagen took over all shares in FB 40 ApS. The company owns a commercial property in the centre of Copenhagen. The property is included in the above table.

Amports Inc.
The auto transport company receives and prepares cars prior to and following overseas shipping. In the fourth quarter of 2010, the company's three large creditors agreed to recapitalise the company. The company's debt was converted to share capital in November 2010. After the conversion, DnB NOR Bank ASA acquired a 28.97 per cent ownership interest in the company. The balance sheet value of the investment was NOK 122 million at year-end 2011. See note 37 Investments in associated companies for more information. The investment is not included in the above table.

Faktor Eiendom ASA
During the second quarter of 2010, Faktor Eiendom ASA completed a private placement totalling NOK 250 million, and the bank converted NOK 249 million from debt to equity. After the conversion, DnB NOR Bank ASA acquired a 30.8 per cent ownership interest in the company, which was later reduced to 30.6 per cent. The company went into liquidation in 2011. See note 37 Investments in associated companies for more information. The investment is not included in the above table.

Companies/parts of companies acquired in 2009

Nordisk Tekstil Holding Group
On 26 August 2009, DnB NOR Bank ASA took over the shares in Nordisk Tekstil Holding AS as part of the restructuring of the bank's commitment with the company. Nordisk Tekstil Holding AS owns 100 per cent of Kid Interiør AS and Kid Logistikk AS and 50 per cent of Kid Skeidar AS. Kid Interiør has a dominant position in the Norwegian home textile market. The Nordisk Tekstil Holding Group was taken over at the price of NOK 1. The Nordisk Tekstil Holding Group is classified under operations held for sale in the accounts and is not included in the above table.

Effects of changes in credit margins

The financial turmoil has caused a general rise in credit margins, which affects a number of items in the DNB Group's balance sheet. The turmoil continued in 2011 due to the debt situation in Greece and a number of other European countries, especially in the fourth quarter.

The DNB Group's fixed-rate loans in Norwegian kroner and parts of the portfolio of margin loans in Norwegian kroner are carried at fair value through profit or loss. Unrealised losses resulting from rising margin requirements came to NOK 115 million at year-end 2011, compared with unrealised losses of NOK 7 million at end-December 2010. The unrealised losses will be reversed over the remaining term to maturity, provided that there are no changes in the credit status of the loans.

As part of ongoing liquidity management, DNB Markets invested in an international covered bonds portfolio in 2011. Higher margin requirements resulted in unrealised losses of NOK 487 million in this portfolio at year-end 2011. The unrealised losses will be reversed over the remaining term to maturity, provided that there are no changes in the credit status of the bonds.

The DNB Group has a 40 per cent ownership interest in Eksportfinans, and the company is recognised in the group accounts according to the equity method. Large parts of Eksportfinans' liabilities are carried at fair value through profit or loss. Moody's and Standard and 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 NOK 11.8 billion. 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. Following the write-down, unrealised gains after tax attributable to the DNB Group were NOK 327 million at year-end 2011, compared with NOK 360 million at end-December 2010. Unrealised gains on the company's liabilities will be reversed over the remaining term to maturity.

The DNB Group's long-term borrowings in Norwegian kroner are carried at fair value through profit or loss. Due to the financial market turmoil and the downgrading of Eksportfinans, investors' margin requirements increased through 2011, especially in the fourth quarter. At end-December 2011, there were unrealised gains of NOK 536 million on long-term borrowings. At year-end 2010, there were unrealised losses of NOK 19 million in the portfolio. Unrealised gains and losses on the Group's liabilities will be reversed over the remaining term to maturity.

Note 7 Commitments for principal sectors [1)]

Commitments as at 31 December 2011 — **DNB Group**

Amounts in NOK million	Loans and receivables	Guarantees	Unutilised credit lines	Total commitments
Retail customers	599 941	243	98 125	698 309
Transportation by sea and pipelines and vessel construction	143 921	10 980	41 167	196 067
Real estate	187 992	2 975	24 751	215 718
Manufacturing	51 643	14 100	50 446	116 190
Services	86 493	5 233	34 511	126 237
Trade	36 419	4 696	26 948	68 062
Oil and gas	24 502	14 357	42 470	81 329
Transportation and communication	34 273	4 205	18 813	57 292
Building and construction	43 108	12 201	18 040	73 348
Power and water supply	28 801	16 206	26 740	71 746
Seafood	16 934	299	6 166	23 399
Hotels and restaurants	4 089	230	887	5 206
Agriculture and forestry	8 856	52	1 420	10 328
Central and local government	6 708	1 844	4 362	12 914
Other sectors	5 242	6 663	32 936	44 841
Total customers, nominal amount after individual write-downs	1 278 922	94 282	427 782	1 800 986
– Collective write-downs, customers	2 119	-	-	2 119
+ Other adjustments	2 456	(98)	-	2 359
Lending to customers	**1 279 259**	**94 185**	**427 782**	**1 801 226**
Credit institutions, nominal amount after individual write-downs	28 748	2 204	7 577	38 529
+ Other adjustments	6	0	-	6
Lending to and deposits with credit institutions	**28 754**	**2 204**	**7 577**	**38 534**

Commitments as at 31 December 2010 — **DNB Group**

Amounts in NOK million	Loans and receivables	Guarantees	Unutilised credit lines	Total commitments
Retail customers	559 062	283	99 357	658 701
Transportation by sea and pipelines and vessel construction	133 926	9 748	38 430	182 104
Real estate	175 806	2 173	19 828	197 807
Manufacturing	47 897	10 438	38 856	97 191
Services	73 961	5 105	23 941	103 007
Trade	33 942	4 413	20 662	59 016
Oil and gas	18 076	8 439	26 653	53 168
Transportation and communication	29 421	4 139	17 418	50 979
Building and construction	35 790	8 931	15 222	59 943
Power and water supply	22 843	12 355	17 287	52 485
Seafood	13 893	191	4 652	18 737
Hotels and restaurants	5 121	127	1 053	6 300
Agriculture and forestry	7 499	37	900	8 437
Central and local government	6 042	2 844	5 137	14 023
Other sectors	6 731	4 848	20 637	32 216
Total customers, nominal amount after individual write-downs	1 170 011	74 071	350 033	1 594 115
– Collective write-downs, customers	1 872	-	-	1 872
+ Other adjustments	2 202	(95)	-	2 107
Lending to customers	**1 170 341**	**73 976**	**350 033**	**1 594 350**
Credit institutions, nominal amount after individual write-downs	47 714	2 085	11 484	61 283
+ Other adjustments	77	0	-	77
Lending to and deposits with credit institutions	**47 792**	**2 085**	**11 484**	**61 360**

1) *The breakdown into principal sectors is based on standardised sector and industry categories set up by Statistics Norway.*

Note 8 Commitments according to geographical location [1)]

Commitments as at 31 December 2011 — **DNB Group**

Amounts in NOK million	Loans and receivables	Guarantees	Unutilised credit lines	Total commitments
Oslo	227 229	20 845	93 770	341 844
Eastern and southern Norway	418 195	23 109	112 070	553 374
Western Norway	154 741	9 342	41 330	205 414
Northern and central Norway	169 817	11 265	32 818	213 899
Total Norway	969 981	64 561	279 989	1 314 531
Sweden	68 910	4 882	29 187	102 980
United Kingdom	28 183	6 617	5 438	40 238
Other Western European countries	59 954	4 651	39 376	103 982
Russia	1 660	204	175	2 040
Estonia	1 971	53	168	2 193
Latvia	17 352	554	1 593	19 499
Lithuania	21 503	612	1 117	23 233
Poland	19 600	722	2 680	23 001
Other Eastern European countries	269	246	9	523
Total Europe outside Norway	219 403	18 541	79 744	317 688
USA and Canada	33 793	8 127	32 610	74 531
Bermuda and Panama [2)]	18 903	497	5 535	24 935
Other South and Central American countries	9 586	2 467	6 125	18 178
Total America	62 283	11 091	44 270	117 644
Singapore [2)]	14 706	555	3 535	18 796
Hong Kong	3 613	0	726	4 339
Other Asian countries	14 145	999	6 233	21 377
Total Asia	32 465	1 554	10 493	44 512
Liberia [2)]	12 191	335	3 949	16 475
Other African countries	399	104	1 263	1 767
Australia, New Zealand and Marshall Islands [2)]	20 494	379	15 653	36 526
Commitments [3)]	1 317 216	96 564	435 359	1 849 138
– Individual write-downs	9 546	78	-	9 624
– Collective write-downs	2 119	-	-	2 119
+ Other adjustments	2 462	(98)	-	2 365
Net commitments	**1 308 013**	**96 389**	**435 359**	**1 839 760**

1) *Based on the customer's address.*

2) *Represents shipping commitments.*

3) *All amounts represent gross lending and guarantees respectively before individual write-downs.*

Note 8 Commitments according to geographical location [1] (continued)

Commitments as at 31 December 2010 **DNB Group**

Amounts in NOK million	Loans and receivables	Guarantees	Unutilised credit lines	Total commitments
Oslo	211 013	19 648	72 656	303 317
Eastern and southern Norway	386 727	17 261	106 159	510 147
Western Norway	146 273	7 450	37 270	190 992
Northern and central Norway	156 597	7 378	32 625	196 599
Total Norway	900 609	51 737	248 710	1 201 055
Sweden	68 062	3 620	19 954	91 637
United Kingdom	25 094	4 450	1 147	30 691
Other Western European countries	60 229	5 476	28 987	94 693
Russia	1 360	43	131	1 533
Estonia	2 841	29	80	2 951
Latvia	18 242	492	844	19 577
Lithuania	22 690	441	1 806	24 938
Poland	14 408	690	1 786	16 884
Other Eastern European countries	251	73	3	326
Total Europe outside Norway	213 177	15 313	54 738	283 229
USA and Canada	25 573	5 017	33 076	63 665
Bermuda and Panama [2]	17 828	324	7 449	25 601
Other South and Central American countries	6 109	2 353	6 004	14 466
Total America	49 510	7 694	46 529	103 733
Singapore [2]	14 845	332	2 301	17 479
Hong Kong	3 780	7	856	4 643
Other Asian countries	13 067	386	990	14 443
Total Asia	31 692	725	4 147	36 565
Liberia [2]	10 919	255	3 128	14 301
Other African countries	2 394	112	398	2 905
Australia, New Zealand and Marshall Islands [2]	18 632	385	3 867	22 884
Commitments [3]	1 226 935	76 220	361 517	1 664 671
– Individual write-downs	9 208	65	-	9 273
– Collective write-downs	1 872	-	-	1 872
+ Other adjustments	2 279	(95)	-	2 184
Net commitments	**1 218 133**	**76 061**	**361 517**	**1 655 710**

1) *Based on the customer's address.*

2) *Represents shipping commitments.*

3) *All amounts represent gross lending and guarantees respectively before individual write-downs.*

Note 9 Impaired commitments for principal sectors [1)]

DNB Group

Amounts in NOK million	Gross impaired commitments 31 Dec. 2011	Gross impaired commitments 31 Dec. 2010	Total individual write-downs 31 Dec. 2011	Total individual write-downs 31 Dec. 2010	Net impaired commitments 31 Dec. 2011	Net impaired commitments 31 Dec. 2010
Retail customers	6 557	6 727	2 786	2 246	3 771	4 481
Transportation by sea and pipelines and vessel construction	4 045	1 144	494	335	3 551	810
Real estate	5 121	3 742	1 546	1 239	3 575	2 503
Manufacturing	3 676	4 865	1 604	1 700	2 072	3 165
Services and management	1 410	2 378	838	857	572	1 521
Trade	1 671	1 515	817	817	854	698
Oil and gas	0	0	0	0	0	0
Transportation and communication	761	977	427	487	334	490
Building and construction	1 349	2 777	702	1 067	647	1 710
Power and water supply	80	188	80	162	0	25
Seafood	100	52	33	41	67	10
Hotels and restaurants	429	481	131	130	298	351
Agriculture and forestry	388	441	128	162	260	279
Central and local government	0	0	0	0	0	0
Other sectors	35	81	13	29	22	53
Total customers	25 622	25 368	9 599	9 272	16 023	16 097
Credit institutions	46	1	25	1	21	0
Total impaired loans and guarantees	25 667	25 369	9 624	9 273	16 043	16 097
Non-performing loans and guarantees not subject to write-downs	3 422	2 313	-	-	3 422	2 313
Total non-performing and impaired commitments	29 089	27 682	9 624	9 273	19 465	18 409

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

Note 10 Write-downs on loans and guarantees

DNB Group

Amounts in NOK million	2011 Lending [1)]	2011 Guarantees	2011 Total	2010 Lending [1)]	2010 Guarantees	2010 Total
Write-offs	550	0	550	459	0	459
New individual write-downs	4 047	73	4 120	5 128	13	5 141
Total new individual write-downs	4 597	73	4 670	5 587	13	5 600
Reassessed individual write-downs	968	47	1 015	1 092	16	1 109
Recoveries on commitments previously written off	437	0	437	418	0	418
Net individual write-downs	3 192	26	3 217	4 077	(3)	4 074
Changes in collective write-downs on loans	227	227	227	(1 077)	0	(1 077)
Write-downs on loans and guarantees	**3 419**	**253**	**3 445**	**3 000**	**(3)**	**2 997**
Write-offs covered by individual write-downs made in previous years	2 740	13	2 753	2 209	8	2 217

1) *Including write-downs on loans at fair value.*

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.

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. A higher risk of individual losses was identified on small parts of certain large commitments towards the end of 2011. In such cases, the entire commitments are classified as non-performing and doubtful, which explains the rise from 2010. There was no general deterioration in the Group’s loan portfolio. Net non-performing and doubtful commitments represented 1.55 and 1.50 per cent, respectively, of lending volume at end-December 2010 and 2011.

Note 11 Write-downs on loans and guarantees for principal sectors [1)]

DNB Group

	2011				2010			
Amounts in NOK million	New individual write-downs	Reassessed individual write-downs	Recoveries on commitments previously written off	Net write-downs	New individual write-downs	Reassessed individual write-downs	Recoveries on commitments previously written off	Net write-downs
Retail customers	1 758	225	360	1 174	1 830	110	307	1 414
Transportation by sea and piplines and vessel construction	417	77	4	336	356	63	12	281
Real estate	917	167	12	738	805	335	8	462
Manufacturing	281	109	1	171	835	98	1	736
Services and management	213	73	4	135	345	161	61	123
Trade	316	105	7	203	368	126	3	240
Oil and gas	1	0	0	1	3	0	0	3
Transportation and communication	74	52	7	15	192	87	2	103
Building and construction	527	105	5	416	487	86	8	393
Power and water supply	3	10	0	(7)	158	1	0	158
Seafood	24	20	0	3	9	0	0	9
Hotels and restaurants	48	27	0	20	92	16	0	76
Agriculture and forestry	59	43	1	16	95	25	1	69
Central and local government	0	0	0	0	0	0	0	0
Other sectors	8	1	5	2	22	0	14	9
Total customers	4 644	1 015	406	3 222	5 600	1 109	416	4 076
Credit institutions	26	0	31	(5)	0	0	2	(2)
Changes in collective write-downs on loans	-	-	-	227	-	-	-	(1 077)
Write-downs on loans and guarantees	**4 670**	**1 015**	**437**	**3 445**	**5 600**	**1 109**	**418**	**2 997**
Of which individual write-downs on guarantees	*73*	*47*	*0*	*26*	*13*	*16*	*0*	*(3)*

1) The breakdown into principal sectors is based on standardised sector and industry categories set up by Statistics Norway.

Note 12 Developments in write-downs on loans and guarantees

DNB Group

	2011				2010			
Amounts in NOK million	Lending to credit institutions	Lending to customers	Guarantees	Total	Lending to credit institutions	Lending to customers	Guarantees	Total
Write-downs as at 1 January	1	11 737	65	11 803	1	11 249	76	11 325
New write-downs	26	2 320	53	2 399	0	3 305	16	3 321
Increase in write-downs	0	1 701	21	1 722	0	1 824	(3)	1 821
Reassessed write-downs	0	968	47	1 015	0	1 093	16	1 109
Write-offs covered by previous write-downs	0	2 740	13	2 753	0	2 209	8	2 217
Changes in individual write-downs of accrued interest and amortisation	0	52	-	52	0	51	-	51
Changes in collective write-downs	0	227	-	227	0	(1 077)	-	(1 077)
Changes in group structure	0	0	0	0	0	0	0	0
Changes due to exchange rate movement	(1)	20	0	19	0	(313)	0	(313)
Write-downs as at 31 December	25	12 350	78	12 453	1	11 737	65	11 803
Of which: Individual write-downs	*25*	*9 521*	*78*	*9 624*	*1*	*9 207*	*65*	*9 273*
Individual write-downs of accrued interest and amortisation	*0*	*710*	*-*	*710*	*0*	*658*	*-*	*658*
Collective write-downs	*0*	*2 119*	*-*	*2 119*	*0*	*1 872*	*-*	*1 872*

Note 13 Market risk

Conditions for calculating market risk

Market risk is the risk of losses or reduced future income due to fluctuations in market prices or exchange rates. The risk arises as a consequence of the bank's unhedged transactions and exposure in the foreign exchange, interest rate, commodity, credit and equity markets. The risk level reflects market price volatility and the positions taken. Overall, market risk represents a small share of the Group's total risk.

DNB quantifies risk by calculating risk-adjusted capital for individual risk categories and for the Group's overall risk, see note 5. The risk-adjusted capital for market risk should, at a confidence level of 99.97 per cent, cover all potential losses related to market risk. The model has a one-year time horizon. Exposure included in the model could be either actual exposure or limits and is a conservative estimate where the Group is assumed to be incorrectly positioned relative to market developments.

The realisation period is the time required to realise positions in highly volatile markets and varies from two days for positions in the most commonly traded currencies to 250 trading days for the bank's investment portfolio.

Financial instruments in the Group excluding DNB Livsforsikring are divided into 24 portfolios, while financial assets in DNB Livsforsikring are divided into eight portfolios. Risk-adjusted capital for the portfolios is calculated on the basis of expected developments in the value of an instrument or index. To estimate annual losses, each underlying instrument is simulated over a period of one year. Subsequent to this, losses for each potential realisation period are estimated. Thereafter, an overall loss is calculated, which is the sum total of the losses for each limit for each day during the year the simulations are made. Calculations are repeated 500 000 times, resulting in a probability distribution of the greatest daily loss during the year. The model takes account of correlations between the defined portfolios. A lower level of correlation results in reduced risk-adjusted capital. See comments on diversification below.

Calculations of risk-adjusted capital for market risk in DNB Livsforsikring, as shown below, are an assessment of the risk associated with financial instruments in DNB Livsforsikring. The calculation below does not take account of DNB Livsforsikring's obligations resulting from the guaranteed rate of return, insurance risk, equity buffers or dynamic portfolio management. See note 5 for a more detailed description of risk associated with the guaranteed rate of return.

Market risk arising in DNB Livsforsikring is defined as market risk related to the ownership of the life insurance company. Due to current parameters for life insurance operations, which entail risk sharing between policyholders and the owner of the life insurance company, it is necessary to measure market risk in life insurance separately.

Market risk specified below includes a deduction for the diversification resulting from imperfect correlation between the customer portfolios in DNB Livsforsikring and the rest of the Group. The diversification between market risk in DNB Livsforsikring and the rest of the Group was estimated at 10 per cent in 2011. The diversification effect arises because it is highly unlikely that all loss events will occur at the same time.

Total market risk in the Group is estimated at NOK 13.2 billion and is carried by the policyholders in DNB Livsforsikring and by DNB's shareholders. The market value adjustment reserve and applicable additional allocations in DNB Livsforsikring which can be used during an accounting year, totalled NOK 5.1 billion.

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.

	DNB Group	
Amounts in NOK billion	2011	2010
Market risk excluding DNB Livsforsikring's customer portfolio 1)	5.2	5.9
Market risk in DNB Livsforsikring's customer portfolio	9.4	14.4
Diversification effect 2)	1.4	0.7
Total market risk	13.2	19.6
Diversification effect in per cent	10	3

1) *With effect from 2011, market risk for the corporate portfolio in DNB Livsforsikring was reported as part of the Group's market risk. Figures for 2010 have been restated accordingly.*

2) *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.*

Note 14 Interest rate sensitivity

Interest rate sensitivity for different time intervals

The vaule of items on and off the balance sheet is affected by interest rate movements. The table shows potential losses for DNB Group excluding DNB Livsforsikring and DNB Baltics and Poland resulting from parallel one percentage point changes in all interest rates. The calculations are based on a hypothetical situation where interest rate movements in all currencies are unfavourable for DNB relative to the Group's positions. Also, all interest rate movements within the same interval will be unfavourable for the Group. The figures will thus reflect maximum losses for DNB.

The calculations are based on the Group's positions as at 31 December and market rates on the same date. The table does not include administrative interest rate risk and interest rate risk tied to non-interest-earning assets.

	DNB Group excl. DNB Livsforsikring and DNB Baltics and Poland					
Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
31 December 2011						
NOK	358	25	564	236	557	141
USD	28	16	63	12	2	120
EUR	22	32	52	13	22	10
GBP	12	50	1	8	1	30
SEK	2	4	5	3	1	4
Other currencies	4	21	43	19	9	52
31 December 2010						
NOK	53	338	560	275	273	274
USD	28	86	9	6	5	116
EUR	5	26	72	8	43	16
GBP	1	1	1	2	1	1
Other currencies	8	14	14	19	14	53

Interest rate sensitivity for different time intervals – DNB Livsforsikring

The table shows interest rate sensitivity associated with financial current assets in DNB Livsforsikring. The table does not include administrative interest rate risk and interest rate risk related to non-interest-earning assets. Interest rate sensitivity has an impact on profit for distribution to the owner and funds transferred to policyholders. Commercial paper and bonds held to maturity are recorded at amortised cost and are not included in the table.

	DNB Livsforsikring					
Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
31 December 2011						
NOK	11	68	99	438	369	985
USD	4	154	1	57	323	224
EUR	3	115	9	117	228	218
GBP	1	24	0	13	80	69
Other currencies	1	7	0	7	47	47
31 December 2010						
NOK	7	33	166	461	310	977
USD	0	71	97	61	283	175
EUR	0	134	44	85	206	112
GBP	1	15	0	7	60	51
Other currencies	2	1	42	10	27	8

Duration	**DNB Livsforsikring**	
	31 Dec. 2011	31 Dec. 2010
Norwegian bonds - average residual maturity (years) 1)	3.68	3.42
International bonds - average residual maturity (years) 1)	5.95	5.98
Money market - average residual maturity (years) 1)	0.38	0.53
International credit - average residual maturity (years) 1)	4.91	5.58
Average effective interest rate - Norwegian bonds (per cent) 2)	3.64	4.17
Average effective interest rate - international bonds (per cent) 2)	2.83	3.25
Average effedtive interest rate - money market (per cent) 2)	2.35	2.72
Average effective interest rate - international credit (per cent) 2)	5.21	4.38

1) *The calculation includes all interest-earning securities including derivatives.*

2) *The effective interest rate on individual bonds is calculated on the basis of the instrument's market value. Weighting to arrive at the average effective interest rate for the total holding is based on weights representing the bonds' percentage shares of total market value.*

Note 14 Interest rate sensitivity (continued)

Interest rate sensitivity – liabilities to insurance policyholders

DNB Livsforsikring carries the risk of meeting liabilities in relation to policyholders. The return on financial assets must be sufficient to meet the guaranteed rate of return specified in insurance policies. Otherwise, inadequate returns will have to be covered by applying the market value adjustment reserve, additional allocations, equity or subordinated loan capital.

The guaranteed rate of return must be complied with on a yearly basis.Measured in relation to customer funds the company's total guaranteed rate of return averages 3.3 per cent. The average duration for future insurance payments was 16 years as at 31 December 2011.

Note 18 gives a description of a liability adequacy test prepared in compliance with IFRS 4 Insurance Contracts concerning liabilities to policy-holders as at 31 December 2011.

Note 15 Currency positions

The table shows net currency positions as at 31 December, including financial derivatives as defined by Norges Bank. Net positions in individual currencies may represent up to 15 per cent of eligible primary capital. Aggregate currency positions must be within 30 per cent of the eligible primary capital. Foreign exchange risk related to investments in subsidiaries is included in the currency position by the amount recorded in the accounts.

In DNB Livsforsikring foreign currency exposure arises when the company invests parts of its securities portfolio and property portfolio in the international securities market. Under DNB Livsforsikring's current foreign currency hedging strategy, the total foreign currency exposure is reduced to a minimum.

	DNB Livsforsikring		**DNB Group excl. DNB Livsforsikring**	
	Net currency positions		Net currency positions	
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010	31 Dec. 2011	31 Dec. 2010
USD	248	(3 595)	(68)	257
EUR	(115)	(941)	109	134
GBP	25	(745)	16	(1)
SEK	307	73	(52)	248
DKK	0	0	437	(360)
JPY	0	0	(43)	(46)
Other	577	(430)	(140)	204
Total foreign currencies	1 042	(5 638)	259	435

Note 16 Financial derivatives

General information on application of financial derivatives

Financial derivatives are contracts stipulating financial values in the form of interest rate terms, exchange rates and the value of equity instruments for fixed periods of time. Corresponding contracts stipulating prices on commodities and indexes are also defined as financial derivatives. Derivatives include swaps, forward contracts and options as well as combinations thereof, including forward rate agreements (FRAs), financial futures and agreements on the transfer of securities. Financial derivatives in DNB are traded to manage liquidity and market risk arising from the Group's ordinary operations. In addition, the Group employs financial derivatives in its own account trading.

"Over the counter" (OTC) derivatives are contracts entered into outside the stock exchange. The contracts are tailor-made according to investor requirements with respect to the underlying object, quantity, price, expiration terms and maturity. The advantage of OTC derivatives is that customers are not limited to standardised contracts and can buy the precise position they wish. The disadvantage compared with the standardised market is that it can be difficult to find other contracting parties and to sell the contracts in the secondary market.

Note 16 Financial derivatives (continued)

The following derivatives are employed for both trading and hedging purposes in the DNB Group:

- *Forward contracts*: a contract to buy or sell interest rate terms, amounts in foreign currencies, shares or commodities on a specified future date at a fixed price. Forward contracts are tailor-made contracts traded between counterparties in the OTC market.
- *FRAs*: agreements that fix the interest rate for a future period for an agreed amount. When the contract matures, only the difference between the agreed interest rate and the actual market interest rate is exchanged.
- *Interest rate futures*: standardised contracts where the counterparties agree to exchange specific interest rate instruments at a fixed price on a specified date. The contracts are traded on an exchange. The value of interest rate futures follows the price trend on underlying interest rate instruments.
- *Swaps*: transactions where two parties exchange cash flows on a fixed amount over an agreed period. The majority of swaps are tailor-made and traded outside exchanges. The most important types of swaps traded by DNB are:
  - interest rate swaps in which fixed rates of interests are exchanged for floating or floating rates of interest are exchanged for fixed
  - cross-currency interest rate swaps in which parties exchange both currency and interest payments
  - equity swaps in which interest rate returns are exchanged for equity returns.
- *Options*: agreements giving the buyer the right, but not the obligation, to either buy (call option) or sell (put option) a specific quantity of a financial instrument or commodity at a predetermined and fixed price. The buyer pays a premium to the seller for this right. Options are traded both as OTCs (tailor-made) and as standardised contracts.

The table shows nominal values on financial derivatives according to type of derivative as well as positive and negative market values. Positive market values are entered as assets in the balance sheet, whereas negative market values are entered as liabilities. See Accounting principles for a more detailed description of measurement of financial derivatives.

DNB Group

	31 December 2011			31 December 2010		
Amounts in NOK million	Total nominal values	Positive market value	Negative market value	Total nominal values	Positive market value	Negative market value
Interest rate contracts						
FRA-contracts	2 211 782	1 515	2 076	1 361 446	358	575
Swaps	2 378 628	77 745	43 395	1 400 366	50 580	30 147
OTC options, bought and sold	75 113	245	155	86 915	115	141
Other OTC contracts	1 562	22	0	1 562	21	0
Total OTC derivatives	4 667 085	79 527	45 625	2 850 289	51 074	30 863
Exchange-traded contracts - futures, bought and sold	11 280	0	0	23 550	0	0
Total interest rate contracts	4 678 365	79 527	45 625	2 873 839	51 074	30 863
Foreign exchange contracts						
Forward contracts	1 017 839	1 887	2 826	955 765	3 366	3 514
Swaps	658 241	34 448	36 454	533 718	29 214	41 909
OTC options, bought and sold	26 586	284	274	24 588	414	402
Total foreign exchange contracts	1 702 667	36 619	39 554	1 514 072	32 995	45 824
Equity-related contracts						
Forward contracts	4 264	162	189	4 423	36	463
OTC options, bought and sold	4 336	83	72	8 345	202	210
Total OTC derivatives	8 600	245	261	12 768	238	673
Futures, bought and sold	3 715	0	0	9 316	11	37
Options, bought and sold	1 864	20	23	511	44	46
Total exchange-traded contracts	5 578	20	23	9 827	55	83
Total equity-related contracts	14 178	266	285	22 595	292	757
Equity-related derivatives recorded as shareholdings [1)]		(230)	(258)		(124)	(645)
Commodity-related contracts						
Swaps	52 996	1 883	1 700	17 172	1 029	1 228
Total commodity related contracts	52 996	1 883	1 700	17 172	1 029	1 228
Collaterals received/paid						
Total collaterals received/paid		(21 372)	(22 540)		(7 110)	(17 156)
Total financial derivatives	**6 448 206**	**96 693**	**64 365**	**4 427 678**	**78 156**	**60 871**
Of which: Applied for hedging purposes	*244 619*	*11 479*	*1 498*	*174 360*	*8 384*	*1 828*
- Interest rate swaps		*10 097*	*462*		*7 280*	*1 046*
- Interest rate and currency swaps		*1 381*	*1 036*		*1 104*	*782*

1) See note 33 Shareholdings.

Note 16 Financial derivatives (continued)

Use of financial derivatives in DNB Markets

DNB Markets acts as market maker and is obliged to furnish both offer and bid prices for specified option, forward or futures series with a maximum differential between the offer and bid price, together with a minimum volume. Market makers always trade for their own account. The purpose of own account trading, in addition to being a market maker, is position taking, which means intentional risk-taking within the foreign exchange, interest rate and equity markets to achieve profits arising from favourable price, exchange rate and index fluctuations. Arbitrage, that is profit taking from fluctuations in prices, exchange rates and indices for the same product in various markets, is also part of own-account trading.

Customer trading entails structuring and marketing financial derivatives for customers, enabling them to transfer, modify, take or reduce prevailing or expected risk. The majority of derivative transactions relate to customer trading.

DNB uses interest rate and currency swaps to convert foreign currency borrowings into the desired currency. As a typical example, the bank raises a loan in euro, which is swapped to US dollars through a basis swap. In this case, the bank will pay a US dollar interest rate based on a swap curve and receive a euro interest rate reduced or increased by a margin. Margin requirements may vary a great deal from day to day, which results in volatility in profit calculations which cannot be reduced through economic hedges. The fair value of contracts entered into increased by NOK 3 031 million in consequence of higher margin requirements in 2011, while rising margin requirements through 2010 increased the fair value by NOK 567 million.

Use of financial derivatives in DNB Livsforsikring

The purpose of employing financial derivatives in DNB Livsforsikring is to be able to invest and allocate funds in accordance with the company's expectations of market trends, through swift and cost-effective asset and market exposure. In addition, the application of derivatives facilitates active risk management and adjustments in equity, interest rate and foreign exchange risk. See notes 14 and 15 for a further description.

Use of financial derivatives in DNB Boligkreditt

The purpose of employing financial derivatives in DNB Boligkreditt is to uncover and reduce foreign exchange and interest rate risk.

Risk related to financial derivatives

Derivatives are traded in portfolios which also include balance sheet products. The market risk on derivatives is handled, monitored and controlled as an integral part of the market risk of these portfolios. See notes 5 and 13. Derivatives are traded with many different counterparties and most of these are also engaged in other types of business with DNB. The credit risk arising in connection with derivatives trading is included in the total credit risk of the DNB Group. Netting agreements or bilateral agreements on collateral are entered into with a number of counter-parties, thus reducing credit risk. The authorities' capital adequacy requirements take into account such agreements, resulting in a reduction of capital adequacy requirements. See note 6 Credit risk for a description of counter-party risk.

Note 17 Liquidity risk

Liquidity risk is the risk that the 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. Senior bond debt and covered bonds are the major sources of long-term funding. 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 group aims to achieve a sound and stable maturity structure for funding over the next five years.

Note 17 Liquidity risk (continued)

Residual maturity as at 31 December 2011 [1)] — DNB Group

Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets							
Cash and deposits with central banks	224 584						224 584
Lending to and deposits with credit institutions	14 741	5 645	5 896	2 393	125		28 800
Lending to customers	213 708	109 709	78 904	165 562	714 930	(2 119)	1 280 694
Commercial paper and bonds	4 012	38 393	64 952	53 966	17 401		178 724
Securities held to maturity	757	856	3 936	61 141	99 491		166 181
Shareholdings						53 311	53 311
Other assets		1 471		860			2 331
Total	457 802	156 074	153 687	283 922	831 947	51 192	1 934 625
Liabilities							
Loans and deposits from credit institutions	200 670	7 490	6 227	65 419	42		279 849
Deposits from customers	719 795	13 812	4 949	893	73		739 522
Debt securities issued	86 164	138 690	43 490	216 785	136 417		621 546
Sundry liabilities etc.	1 351	3 939				324	5 614
Subordinated loan capital [2)]		131		85	12 773	10 131	23 120
Total	1 007 981	164 061	54 666	283 183	149 305	10 455	1 669 651
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cash flows	484 935	467 680	334 493	434 340	194 725		1 916 173
Outgoing cash flows	485 083	469 179	336 215	433 420	198 828		1 922 725
Financial derivatives, net settlement	619	1 348	2 621	15 236	11 720		31 544
Total financial derivatives	471	(151)	899	16 156	7 618		24 993

Residual maturity as at 31 December 2010 [1)] — DNB Group

Amounts in NOK million	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets							
Cash and deposits with central banks	16 198						16 198
Lending to and deposits with credit institutions	22 164	19 993	5 603				47 760
Lending to customers	167 095	86 549	87 254	181 956	648 961	(1 872)	1 169 943
Commercial paper and bonds	23 999	53 013	76 310	46 641	5 558		205 521
Securities held to maturity		50	3 973	57 607	117 831		179 461
Shareholdings						73 858	73 858
Other assets		6 410		974			7 384
Total	229 457	166 015	173 140	287 178	772 351	71 985	1 700 126
Liabilities							
Loans and deposits from credit institutions	128 343	7 636	45 115	76 811	327		258 232
Deposits from customers	628 506	9 803	2 682	434	187		641 612
Debt securities issued	46 045	85 000	100 755	176 274	89 073		497 147
Sundry liabilities etc.	384	3 439				2 624	6 447
Subordinated loan capital [2)]	239			86	17 082	15 246	32 653
Total	803 517	105 878	148 552	253 605	106 669	17 870	1 436 091
Financial derivatives							
Financial derivatives, gross settlement							
Incoming cash flows	476 955	452 425	234 037	54 244	583		1 218 244
Outgoing cash flows	479 781	456 054	235 535	54 792	599		1 226 761
Financial derivatives, net settlement	(12)	2 178	7 341	11 659	4 690		25 856
Total financial derivatives	(2 838)	(1 451)	5 843	11 110	4 675		17 339

1) *Not including value adjustments for financial instruments at fair value.*

2) *The maturity structure for subordinated loan capital is based on final maturities and does not reflect options to make early redemptions.*

Credit lines, commitments and documentary credit — DNB Group

Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
Unutilised credit lines under 1 year	275 428	224 024
Unutilised credit lines over 1 year	246 309	191 825

Note 18 Insurance risk

INSURANCE RISK IN LIFE INSURANCE

Risk in DNB Livsforsikring ASA includes financial risk and insurance risk, in addition to operational risk and business risk. Financial risk comprises credit and market risk, which is the risk that the return on financial assets will not be sufficient to meet the obligations specified in insurance policies (see description in notes 13-15). Insurance risk relates to changes in future insurance payments due to changes in life expectancy and disability rates. See note 3 Segments for the income statement, balance sheet and key figures for DNB Livsforsikring ASA including subsidiaries.

Analysis of insurance liabilities, customers bearing the risk, and liabilities to policyholders

		DNB Group [1)]
Amounts in NOK million	Insurance liabilities, customers bearing the risk	Liabilities to policyholders
Balance sheet as at 31 December 2009	**21 337**	**193 556**
Deposits	2 368	11 680
Return	2 368	13 314
Inflow of reserves	533	3 681
Outflow of reserves	697	2 936
Insurance payments	1 794	11 267
Other changes	(611)	(2 478)
Balance sheet as at 31 December 2010	**23 506**	**205 550**
Deposits	3 457	13 324
Return	(1 030)	4 541
Inflow of reserves	508	4 843
Outflow of reserves	985	2 447
Insurance payments	1 330	11 695
Other changes	(350)	(1 844)
Balance sheet as at 31 December 2011	**23 776**	**212 271**

1) *Refers only to DNB Livsforsikring.*

Description of the insurance products

The company offers traditional life and pension insurance, unit-linked insurance and non-life insurance. A calculation rate is used to determine provisions and premiums. The highest calculation rate is set by Finanstilsynet (the Financial Supervisory Authority of Norway). This interest rate is often called the calculation rate, and is 2.5 per cent for new insurance contracts. The calculation rate is the annual guaranteed rate of return on policyholders' funds. In most unit-linked insurance products, policyholders bear the financial risk. Non-life insurance policies are products generating payments related to policyholders' life and health. These products are not subject to profit sharing and are repriced annually.

Group contracts

Under group defined-benefit pensions, pension payments are disbursed from an agreed age and until the death of the policyholder. It can also be agreed that the pension payments cease at a certain age. A defined-benefit pension may include a retirement pension, disability pension, spouse pension and children's pension. Group defined-benefit pensions follow the regulations for the insurance industry effective from 1 January 2008. This means that policyholders pay in advance an annual premium for interest rate risk, insurance risk and administration. The company is entitled to change the premium annually. Interest in excess of the guaranteed rate of return is awarded to policyholders in its entirety. If the interest is between 0 and the guaranteed rate of return, the company can use additional allocations to meet the guaranteed rate of return, otherwise the company must cover the deficit. A positive risk result may either be used to increase the risk equalisation fund or be distributed to the policyholders. No more than 50 per cent of annual profits may be allocated to the risk equalisation fund. The company must cover any remaining losses after the risk equalisation fund has been used. The administration result is allocated in its entirety to the company. For one year agreements with disability pensions and dependent’s pensions without savings, the risk result is transferred directly to the company.

When a member terminates a pension agreement or a pension agreement ends, he or she is entitled to a paid-up policy. Rights earned on the termination date are continued in paid-up policies. Paid-up policies have a separate profit model where a minimum of 80 per cent of profits are distributed to policyholders. Profits for distribution consist of the interest result and the risk result. The administration result is allocated in its entirety to the company.

Group association insurance is pension insurance taken out by associations for their members. Association insurance can comprise retirement pensions, disability pensions, spouse pensions and children pensions.

Individual contracts

Individual annuity and pension insurance policies are savings schemes whereby the company disburses monthly amounts up until the death of the policyholder, or until the policyholder reaches an agreed age. This usually comprises a retirement pension, disability pension, spouse pension and children's pension.

Individual endowment insurance policies are contracts whereby the company disburses an agreed amount upon the death of the policyholder or when the policyholder attains an agreed age. Individual endowment insurance may also include disability cover, which is a one-off benefit for permanent disability.

For individual contracts sold prior to 1 January 2008, the past profit-sharing scheme applies, which implies that the interest result, the risk result and the administration result are included in the profits to be distributed between policyholders and the company. No less than 65 per cent of annual profits must be distributed to policyholders. The new regulations apply to contracts sold as of 1 January 2008.

Note 18 Insurance risk (continued)

Contracts where policyholders bear the risk
Defined-contribution pensions are group pension schemes where the employees bear the financial risk. However, full or partial hedging of the paid amount can be bought.

Individual unit-linked insurance polices are endowment insurance policies or annuity insurance polices where policyholders bear the financial risk.

Other sectors
Group life insurance policies are life level term insurance policies taken out by employers or associations for their employees or members and, where applicable, also for their spouses and children. The amount recoverable under the policy is disbursed upon the death of the policyholder. Group life insurance may also comprise disability cover, which is a one-off benefit for permanent disability.

Employer's liability insurance is a one-year risk product which companies link to their pension agreements. This may be corporate group life insurance or accident insurance. Occupational injury insurance is mandatory for all enterprises.

Specification of liabilities to policyholders recorded in the balance sheet as at 31 December 2011

DNB Group [1)]

	Group insurance schemes-defined-benefit pensions			Individual pension savings					
Amounts in NOK million	Private sector	Public sector	Group association insurance	Annuity and pension insurance	Endow-ment insurance	Group life insurance	Non-life insurance	Total 2011	Total 2010
Premium reserve	116 730	32 162	3 788	32 259	13 071	290	0	198 300	190 493
Additional allocations	2 706	985	142	1 110	229	0	0	5 171	5 694
Market value adjustment reserve	288	24	12	74	10	1	0	409	2 591
Claims reserve	184	0	17	239	251	476	985	2 152	1 813
Premium fund	3 160	2 489	32	273	0	0	0	5 955	4 752
Pensioners' profit fund	17	0	0	0	0	0	0	17	9
Other technical reserves	0	0	0	0	0	0	266	266	199
Liabilities to policyholders	**123 085**	**35 661**	**3 991**	**33 955**	**13 560**	**767**	**1 251**	**212 271**	**205 550**
Unrealised gains on bonds held to maturity [2)]								2 444	1 100

1) Refers only to DNB Livsforsikring.

2) Unrealised gains on bonds held to maturity are not included in balance sheet values.

Insurance risk

Within life insurance, insurance risk is mainly related to the likelihood of death and disability.

Insurance risk in DNB Livsforsikring ASA is divided, in varying degrees, between policyholders and the company. With respect to the non-life insurance products employers' liability insurance and certain pure risk products, the company is exposed to insurance risk. For individual pension and endowment insurance products sold after 1 January 2008 and group pension agreements, the company's risk represents its obligation to cover a possible negative risk result. The company is credited up to 50 per cent of any positive risk result in the form of allocations to the risk equalisation fund. With respect to individual insurance policies sold prior to 1 January 2008, the risk result is included in profits for allocation to policyholders and the company, where the company is entitled to receive up to 35 per cent of annual profits.

Risk for DNB Livsforsikring ASA related to changes in mortality rates is twofold. With respect to mortality risk coverage (mainly spouse and children's pensions) lower mortality rates will give an improved risk result and a more limited need for provisions. For pensions that are currently payable, lower mortality rates will result in extended disbursement periods and thus require greater provisions. It will be possible to cover the required increase in reserves relating to insurance risk by future surpluses on investment results.

DNB Livsforsikring ASA increased premium reserves by a total of NOK 764 million in 2011 due to higher life expectancy, of which NOK 300 million referred to individual pension insurance and NOK 464 million to group pension insurance. Provisions of NOK 470 million will be made for individual pension insurance in 2012, whereby the build-up of reserves for individual pension insurance will be completed. For group pension insurance, a further strengthening of premium reserves will be required over the next few years. Provisions representing 5-7 per cent of the premium reserve will be required, depending on whether Statistics Norway's low or medium alternative for life expectancy is used. Finanstilsynet has stated that escalation plans based on funding from future interest in excess of the guaranteed rate of return will be permissible, but has also signalled that it could be necessary to use profits attributable to the owner. The level of provisions and the length of the escalation plan have not been clarified.

Disability risk is more exposed to short-term changes. Allocations covering incurred, unsettled insurance claims are under continuous review. No further needs for strengthening existing provisions relating to disability pensions or other disability products have been identified.

With respect to existing contracts, insurance risk is subject to continual review by analysing and monitoring risk results within each business sector. In addition, the company applies reinsurance as an instrument to reduce insurance risk. The company's current reinsurance contracts cover catastrophes and significant individual risks within group and individual insurance. The reinsurance agreements imply that DNB Livsforsikring ASA is responsible for risk up to a certain level while the reinsurer covers excess risk up to a maximum defined limit.

Note 18 Insurance risk (continued)

In order to reduce insurance risk exposure, it is mandatory that policyholders undergo a health check before entering into a contract for individual risk products. Individual health checks are also required under small-scale group schemes. In connection with the sale of disability pensions, policyholders are divided into risk categories based on a concrete risk assessment in each individual case.

DNB Livsforsikring ASA's operations are concentrated in Norway. In this market, the portfolio is well diversified and without any concentrations of risk in specific geographical areas or industries.

The risk result arises when empirical data for mortality, disability and exit risk deviate from the assumptions underlying the calculation base for premiums and provisions. When the risk result generates a surplus, the surplus can be allocated to the risk equalisation fund. The risk equalisation fund cannot exceed 150 per cent of the company's total risk premiums for the accounting year. If there is a deficit on the risk result, the risk equalisation fund can be used. The risk equalisation fund does not apply to risk contracts with a maximum term of one year, disability pensions and dependent's pensions without savings, paid-up policies or individual contracts regulated by the former profit sharing rules.

Risk result

DNB Livsforsikring

		Group life insurance - defined-benefit pensions		Individual pension savings				
Amounts in NOK million	Private sector	Public sector	Group association insurance	Annuity and pension insurance	Endow-ment insurance	Other sectors	Total 2011	Total 2010
Risk result								
Risk result in 2011 *)	415	(38)	(21)	(226)	42	(42)	129	
Risk result in 2010	410	133	(24)	(889)	178	(50)		(242)
Sensitivities - effect on risk result in 2011								
5 per cent reduction in mortality rate	(13)	(7)	(1)	(9)	2	8	(20)	
10 per cent increase in disability rate	(131)	(36)	(0)	(12)	(11)	(12)	(202)	
*) *Of which:* *Mortality risk*	*74*	*15*	*29*	*1*	*47*	*(21)*	*146*	*151*
Longevity risk	*(139)*	*(69)*	*(11)*	*(42)*	*0*	*0*	*(261)*	*(183)*
Disability rate	*474*	*7*	*15*	*37*	*(13)*	*(22)*	*497*	*481*
Other	*7*	*9*	*(54)*	*(222)*	*8*	*0*	*(252)*	*(692)*

The table shows the effect on the risk result for 2011 of given changes in empirical mortality or disability data. The cost of introducing a new calculation base for annuity, pension and group association insurance is recorded under "Other".

Permanent changes in the calculation assumptions will require changes in premiums and provisions. With respect to group life insurance and individual policies sold after 1 January 2008, it will be possible to finance higher premium reserve requirements by the risk result for the year, or by current or future investment results. For individual contracts sold prior to 1 January 2008, rising premium reserve requirements can be financed by profits for allocation or future profits for allocation. The table below shows the effect of changes in key calculation assumptions on gross premium reserves.

Calculation assumptions

DNB Livsforsikring

Amounts in NOK million	Change in per cent	Effect on gross premiumreserve
Mortality	-5	+1 915
Disability	+10	+2 242

Mortality and disability

The table shows the net annual risk premium for a sum assured of NOK 100 000. For spouse pensions, the premium shown is for an annual spouse pension of NOK 10 000 paid from the death of the primary policyholder until the spouse reaches the age of 77. For disability pensions, the premium shown is for an annual disability pension of NOK 10 000 paid until 67 years of age.

DNB Livsforsikring

	Men			Women		
Amounts in NOK million	30 years	45 years	60 years	30 years	45 years	60 years
Individual life insurance	136	340	1 447	68	170	724
Individual disability lump sum	223	695	0	333	1 177	0
Individual disability pension	394	1 000	3 229	630	1 900	4 858
Spouse pensions in group schemes	20	164	698	17	79	224
Disability pensions in group schemes	254	556	1 114	388	975	1 672

Premiums for individual disability pensions are based on the company's own experience and were last changed in 2006. Premiums for spouse and disability pensions in group schemes are based on the company's own experience and were last changed in 2008.

Note 18 Insurance risk (continued)

Guaranteed rate of return

The table shows long-term developments in the average guaranteed rate of return for each sector. The guaranteed rate of return is shown as a percentage of the premium reserve, premium fund and additional allocations, and is measured as at 31 December. The guaranteed rate of return is gradually reduced each year.

				DNB Livsforsikring
Per cent	2011	2010	2009	2008
Group pension insurance, private sector	3.4	3.4	3.5	3.6
Group pension insurance, public sector	3.1	3.0	3.1	3.1
Individual pension insurance	3.5	3.4	3.5	3.4
Individual endowment insurance	2.7	2.8	3.1	3.3
Group association insurance	4.1	4.0	4.1	4.1
Total	3.3	3.3	3.4	3.5

Liability adequacy test

In accordance with IFRS 4, the company has assessed whether its premium reserves are adequate to cover its liabilities. If the test shows that the premium reserves are too low to bear the future liabilities of the company, the difference should be recorded on the test date. Adequacy tests are implemented each quarter.

All tariff rates used by the company are based on past experience within product segments or business sectors. Thus, products may have different technical rates of interest, mortality and disability assumptions, and may incur different costs. The adequacy test assesses the margins in the tariff rates.

The risk-free interest rate is calculated based on observable Norwegian swap rates. It is assumed that the risk-free interest rate will converge against a long-term macroeconomic target rate. The realistic value of the liabilities is calculated as the net present value of future cash flows generated by the insurance contracts, subject to a risk-free interest rate curve.

The adequacy test indicated no need for further provisions covering liabilities to policyholders as at 31 December 2011.

Solvency capital

The solvency capital consists of the market value adjustment reserve, additional allocations, the security reserve, equity, subordinated loan capital and perpetual subordinated loan capital securities and unrealised gains on bonds held to maturity. All these elements, with the exception of the risk equalisation fund and part of the security reserve, can be used to meet the guaranteed rate of return on policyholders' funds.

		DNB Livsforsikring
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
Market value adjustment reserve	409	2 591
Additional allocations	5 171	5 694
Security reserve	196	158
Risk equalisation fund	821	661
Equity	13 667	11 752
Subordinated loan capital and perpetual subordinated loan capital securities	2 503	2 492
Unrealised gains on bonds held to maturity	2 444	1 100
Total available capital	25 211	24 448
Guaranteed return on policyholders' funds [1)]	7 044	6 821

1) One-year guaranteed rate of return on insurance contracts at end of period.

Capital adequacy

Capital adequacy regulations regulate the relationship between the company's primary capital and the investment exposure on the asset side of the balance sheet. Life insurance companies are subject to a minimum capital adequacy requirement of 8 per cent. At the end of 2011, DNB Livsforsikring ASA had a capital adequacy ratio of 15.3 per cent, compared with 11.0 per cent at the end of 2010. The Tier 1 capital ratio was 13.9 per cent, up from 9.7 per cent a year earlier.

Risk-weighted volume and eligible primary capital				**DNB Livsforsikring**
	31 December 2011		31 December 2010	
Amounts in NOK million	Recorded	Weighted	Recorded	Weighted
Total assets	258 188	97 133	247 465	113 607
Primary capital				
Tier 1 capital		13 521		10 980
Net Tier 2 capital		1 348		1 572
Financial deduction		0		0
Total eligible primary capital		14 869		12 552
Capital adequacy requirement		7 771		9 089
Capital in excess of requirement		7 098		3 463

Note 18 Insurance risk (continued)

New rules for ensuring adequate solvency capital levels in insurance companies, Solvency II, will be introduced in the course of a few years. The rules will be of key importance to product development, capitalisation requirements and profitability in the insurance industry over the next few years. The rules have yet to be finalised, especially with respect to their implementation in Norwegian legislation. A key element is how the discount rate for calculating insurance liabilities should be determined. In addition, there is an ongoing process to adapt Norwegian product rules in certain areas, which includes future occupational pension products. There will be special solvency capital requirements for paid-up policies under Solvency II, which is mainly attributable to the fact the life insurance companies do not have the opportunity to price the guaranteed rate of return on an annual basis. The company will be compensated for the guaranteed rate of return through profit sharing between policyholders and the owner.

Solvency capital

Solvency capital is measured against the solvency margin requirement, which is linked to the company's insurance commitments. The solvency capital requirements for Norwegian life insurance companies are subject to regulations on the calculations of solvency capital requirements and solvency capital, as laid down by the Ministry of Finance on 19 May 1995.

	DNB Livsforsikring	
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
Total eligible primary capital	14 869	12 552
Additional allocations (50 per cent)	2 585	2 847
Risk equalisation fund (50 per cent)	411	331
Security reserve in non-life insurance (above 50 per cent of the minimum requirement)	88	71
Solvency capital	17 953	15 800
Solvency capital requirement	9 332	8 838

INSURANCE RISK IN NON-LIFE INSURANCE

DNB Skadeforsikring was established in 2008. Non-life insurance risk increased during 2011 in consequence of growth in the insurance portfolio. The premium portfolio totalled NOK 1 486 million at year-end 2011. More than 98 per cent of the premium portfolio represents insurance coverage for individual customers. A limited range of products is offered to small and medium-sized companies.

Risk in DNB Skadeforsikring comprises insurance, market, credit, operational and business risk. Insurance risk includes the risk of losses if insurance premiums fail to cover future claims payments. An increase in claims frequency can be due to seasonal variations or reflect more lasting effects. A permanent change in claims frequency due to, for example, changes in customer behaviour and new types of claims, will have the most pronounced effect on profitability. Indemnity payments are influenced by a number of factors, including the number of catastrophic losses and inflation. Exposure to natural disasters is limited through the company's compulsory membership in the Norwegian Natural Perils Pool. Insufficient risk diversification with respect to risk categories and sums insured and the geographic locations and types of operations covered by the insurance policies could also have a negative effect on insurance risk.

DNB Skadeforsikring has established a reinsurance programme to help neutralise the consequences of particularly serious insurance events. The programme is adapted to the company's overall risk, which is the sum of insurance risk, market risk and credit risk. Risk utilisation is measured relative to both the prevailing Solvency I regulations and the coming Solvency II regulations.

During 2011, DNB Skadeforsikring had an excess of loss programme covering individual losses and events above a given limit within the individual product groups. The programme was adapted to the risk profile of the portfolio and was divided between several reinsurers to spread the risk. In addition to excess of loss contracts, proportional contracts were entered into in 2011, covering products for corporate clients and fire/combined products for individual clients. The aim is to help ensure that the most volatile products in the portfolio become more predictable.The company’s reinsurance programme had a positive impact on the company’s financial performance in 2011.

Insurance risk is subject to continual review by monitoring the profitability of all products. In addition, a quarterly evaluation is made of the claims reserve.

Note 19 Net interest income

	DNB Group					
	2011			2010		
Amounts in NOK million	Recorded at fair value	Recorded at amortised cost [1]	Total	Recorded at fair value	Recorded at amortised cost [1]	Total
Interest on loans to and deposits with credit institutions	979	373	1 353	1 163	393	1 557
Interest on loans to customers	4 062	44 599	48 661	4 839	37 263	42 102
Interest on impaired loans	0	548	548	0	611	611
Interest on commercial paper and bonds	3 834	0	3 834	3 795	0	3 795
Interest on commercial paper and bonds, held to maturity	-	2 859	2 859	-	2 961	2 961
Front-end fees etc.	10	282	292	4	283	287
Other interest income	127	2 402	2 528	79	2 002	2 081
Total interest income	**9 012**	**51 063**	**60 075**	**9 880**	**43 514**	**53 395**
Interest on loans and deposits from credit institutions	3 980	446	4 426	4 316	691	5 008
Interest on deposits from customers	1 366	12 576	13 942	1 138	9 848	10 986
Interest on debt securities issued	3 457	8 660	12 118	2 469	6 256	8 725
Interest on subordinated loan capital	72	543	616	68	599	667
Other interest expenses [2]	3 374	347	3 721	3 745	828	4 573
Total interest expenses	**12 250**	**22 573**	**34 823**	**11 736**	**18 223**	**29 959**
Net interest income	**(3 238)**	**28 490**	**25 252**	**(1 855)**	**25 292**	**23 436**

1) *Includes hedged items.*

2) *Other interest expenses include interest rate adjustments resulting from interest rate swaps entered into. Derivatives are recorded at fair value.*

Note 20 Interest rates on selected balance sheet items

	DNB Group [1]			
	Average interest rate in per cent [2]		Average volume in NOK million	
	2011	2010	2011	2010
Assets				
Lending to and deposits with credit institutions	0.57	1.08	237 323	143 893
Lending to customers	4.06	3.73	1 212 423	1 146 549
Commercial paper and bonds	3.08	2.24	124 376	169 733
Liabilities				
Loans and deposits from credit institutions	1.35	1.53	328 339	327 865
Deposits from customers	2.02	1.79	689 072	615 055
Securities issued	2.15	1.65	564 788	529 731

1) *Applies to the DNB Group excluding DNB Livsforsikring.*

2) *Average interest rate in per cent is calculated as total interest in NOK for the specific products in relation to the appurtenant average capital.*

Note 21 Net commissions and fees receivable

	DNB Group	
Amounts in NOK million	2011	2010
Money transfer fees receivable	2 984	2 957
Fees on asset management services	1 115	1 096
Fees on custodial services	311	295
Fees on securities broking	254	303
Corporate finance	454	608
Interbank fees	92	97
Credit broking commissions	488	474
Sales commissions on insurance products	2 468	2 579
Sundry commissions and fees receivable on banking services	968	851
Total commissions and fees receivable etc.	**9 135**	**9 261**
Money transfer fees payable	1 049	1 112
Commissions payable on asset management services	133	121
Fees on custodial services payable	122	112
Interbank fees	130	140
Credit broking commissions	93	48
Commissions payable on the sale of insurance products	124	137
Sundry commissions and fees payable on banking services	605	550
Total commissions and fees payable etc.	**2 256**	**2 220**
Net commissions and fees receivable	**6 879**	**7 040**

Note 22 Other income

	DNB Group	
Amounts in NOK million	2011	2010
Income from owned/leased premises	222	66
Fees on real estate broking	1 012	860
Miscellaneous operating income 1)	540	1 638
Total other income	**1 775**	**2 565**

1) *In the second quarter of 2010 the merger between the payment services company Nordito and the Danish PBS Holding generated gains of NOK 1 170 million.*

Note 23 Net gains on financial instruments at fair value

	DNB Group	
Amounts in NOK million	2011	2010
Foreign exchange and financial derivatives	7 164	3 450
Commercial paper and bonds	387	593
Shareholdings	(221)	(42)
Other financial assets	(262)	0
Financial liabilities	(224)	(216)
Net gains on financial instruments, trading	6 845	3 784
Loans at fair value	205	1
Commercial paper and bonds	21	(54)
Shareholdings	(26)	624
Financial liabilities	(195)	(438)
Net gains on financial instruments, designated as at fair value	5	133
Financial derivatives, hedging	10 336	(3 961)
Financial assets, hedged items	(46)	(20)
Financial liabilities, hedged items	(10 603)	3 992
Net gains on hedged items [1) 2)]	(313)	11
Financial guarantees	603	646
Dividends	521	387
Net gains on financial instruments at fair value [3)]	**7 661**	**4 961**

1) With respect to hedged liabilities, the hedged risk is recorded at fair value, while the rest of the instrument is recorded at amortised cost. Derivatives used for hedging are recorded at fair value. Changes in fair value arising from hedged risk are presented under Financial derivatives, hedging.

2) The DNB Group uses hedge accounting for long-term borrowings in foreign currency in DNB Boligkreditt and DNB Bank ASA. Loans are hedged 1:1 through external contracts where there is a correlation between currencies, interest rate flows and the hedging instrument. At the time the loans are raised, DNB Markets considers whether to enter into a hedging transaction for the relevant loan based on the Group's foreign currency positions and the underlying interest rate exposure for the loan. Hedging transactions which are entered into, are documented. For the bank, the NOK leg of a hedging transaction will be exposed to 3-month interest rates. For DNB Boligkreditt, hedging transactions are entered into to further reduce the interest rate risk on the NOK leg of the hedging transaction. These transactions are not subject to hedge accounting.

3) There was a particularly high level of income from mark-to-market adjustments on foreign exchange and interest rate instruments in 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 24 Salaries and other personnel expenses

	DNB Group	
Amounts in NOK million	2011	2010
Salaries [*)]	7 594	7 071
Employer's national insurance contributions	985	1 025
Pension expenses [1)]	989	448
Restructuring expenses	11	36
Other personnel expenses	701	680
Total salaries and other personnel expenses	**10 279**	**9 259**

**) Of which:*	*Ordinary salaries*	*6 078*	*5 744*
	Performance-based pay	*1 343*	*1 206*

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.

Note 25 Other expenses

	DNB Group	
Amounts in NOK million	2011	2010
Fees [1)]	1 775	1 437
IT expenses	1 658	1 635
Postage and telecommunications	370	377
Office supplies	105	99
Marketing and public relations	949	812
Travel expenses	277	244
Reimbursement to Norway Post for transactions executed	167	151
Training expenses	75	75
Operating expenses on properties and premises [2)]	1 383	1 280
Operating expenses on machinery, vehicles and office equipment	146	151
Other operating expenses	816	735
Total other expenses	**7 722**	**6 995**

1) *Systems development fees totalled NOK 1 157 million in 2011 and NOK 986 million in 2010.*

2) *Costs relating to leased premises were NOK 1 070 million in 2011 and NOK 1 038 million in 2010.*

Note 26 Depreciation and write-downs of fixed and intangible assets [1)]

	DNB Group	
Amounts in NOK million	2011	2010
Write-downs of machinery, vehicles and office equipment	1 052	967
Other depreciation of tangible and intangible assets	658	640
Write-downs of activated systems development	212	354
Impairment losses for goodwill [2)]	190	194
Other write-downs of fixed and intangible assets	60	103
Total depreciation and write-downs of fixed and intangible assets	**2 172**	**2 256**

1) *See note 40 Intangible assets and note 42 Fixed assets.*

2) *Impairment losses for goodwill of NOK 190 million relating to DNB Baltics and Poland were recorded in 2011.Impairment losses for goodwill of NOK 194 million relating to Svensk Fastighetsförmedling AB were recorded in 2010.*

Note 27 Pensions

Description of the pension schemes

Up until year-end 2010, the DNB Group had a defined benefit occupational pension scheme for all employees in Norway in the form of a group pension scheme funded by DNB Livsforsikring. Pension benefits included retirement pensions, disability pensions and pensions for spouses and dependent children, which supplemented benefits from the National Insurance Scheme. Full pension entitlements required 30 years of pensionable service and gave the right to a retirement pension corresponding to the difference between 70 per cent of the employee's salary and estimated benefits from the National Insurance Scheme. The pension scheme was in compliance with the Act on Occupational Pensions.

The defined benefit scheme for retirement and disability pensions for employees in Norway was closed as at 31 December 2010. As from 1 January 2011, employees who take up employment in DNB are included in a newly established defined contribution scheme for retirement pensions and a new defined benefit scheme for disability coverage. The Group has no defined contribution scheme for salaries exceeding 12G (12 times the National Insurance basic amount). The premium rates for defined contribution pensions are in line with the statutory maximum rates:

- Salary representing 1-6 times the National Insurance basic amount: 5 per cent
- Salary representing 6-12 times the National Insurance basic amount: 8 per cent

In addition, around 530 employees in the former Postbanken are covered by a closed group pension plan in the Norwegian Public Service Pension Fund.

The Group also has commitments related to the top salary pension scheme for salaries exceeding 12G and early retirement agreements. Commitments relating to salaries exceeding 12G and early retirement agreements are funded through the companies' operations. The top salary pension scheme was closed for employees who joined the Group after 30 June 2008. Further restrictions were introduced as at 30 April 2011. Those who did not have salaries exceeding 12G on that date will not be encompassed by the scheme even if their salaries exceed 12G at a later date. With effect from 1 July 2011, employees with salaries exceeding 12G are covered by a special life level term insurance which represents 2.9 times annual salary, maximum 80G.

Note 27 Pensions (continued)

With effect from 1 January 2011, the pension scheme no longer provides coverage for dependants' and children's pensions, which were replaced by an extended dependants' and child allowance in the group pension scheme as from the same date. With respect to employees born prior to 1 January 1956 who die after becoming pensioners, their dependants will still receive a pension.

The Norwegian companies in the Group have been part of the contractual pension (CPA) scheme for the banking and financial services industry. In addition, the Group has an agreement on contractual pensions according to public sector rules with respect to employees who are members of the Public Service Pension Fund. The CPA scheme was an early retirement option entitling employees aged between 62 and 66 to a pension. The scheme was coordinated with the National Insurance Scheme, where ordinary retirement pensions are granted from the age of 67.

The Norwegian Parliament passed an Act relating to the financing of a new contractual pension scheme in February 2010. The new scheme entered into force as from 1 January 2011. The former AFP scheme applies only to employees who had selected early retirement prior to the parliamentary resolution and to those who reached 62 years of age and who had chosen the old scheme before it was terminated with effect from 30 November 2010.

The new CPA scheme will give a life-long supplement to ordinary pension payments. The employees can opt for the new CPA scheme from the age of 62 and can choose to combine pension payments with continued employment. Benefits provided under the new scheme are considered to be quite different from those provided under the former scheme and the transition to the new scheme was thus not to be regarded as a plan change, but as a curtailment and settlement of the former scheme. Employees who did not qualify for the former CPA scheme in 2010 have no future rights under the old scheme. The effect of terminating the commitments for employees born after 30 November 1948, including the related changes in estimates and employers' contributions, was NOK 367 million. The amount was recorded as income in 2010 and reduced pension expenses.

The new CPA scheme should be recorded as a defined benefit multi-company scheme in the accounts and will be funded by an annual premium representing a percentage of salaries between 1 and 7.1G. The premium for 2012 is set at 1.75 per cent (2011: 1.4 per cent). Thus far, no details have been presented on how the new commitments should be recorded in the accounts. The costs of the new CPA scheme are estimated to be at least as high as the Group's previous CPA costs. All Norwegian companies in the DNB Group are members of the new CPA scheme. For members of the Norwegian Public Service Pension Fund, the CPA scheme will continue unchanged in 2012.

Employer's contributions are included in pension expenses and commitments. In pension schemes where pension funds exceed pension commitments, no allocation has been made for employer's contributions.

Subsidiaries and branches outside Norway have separate schemes for their employees, mainly in the form of defined-contribution schemes. Pension expenses for employees outside Norway represent NOK 127 million of the Group's total pension expenses of NOK 989 million.

Economic assumptions applied in calculating pension expenses and commitments:

Economic assumptions **DNB Group**

	Expenses		Commitments	
			31 Dec.	31 Dec.
Per cent	2011	2010	2011	2010
Discount rate 1)	4.1	4.4	2.6	4.1
Anticipated return 2)	5.5	5.6	4.1	5.5
Anticipated rise in salaries	4.00	4.25	3.50	4.00
Anticipated increase in basic amount	3.75	4.00	3.25	3.75
Anticipated rise in pensions	2.00	2.25	1.75	2.00
Anticipated CPA acceptance	Actual acceptance		Actual acceptance	
Demographic assumptions about mortality 3)	K2005	K2005	K2005	K2005

1) *The discount rate used is determined by reference to market yields at the balance sheet date on long term (10-year) government bonds, plus an addition that takes into account the relevant duration of the pension liabilities.*

2) *The anticipated return on pension funds was calculated by assessing the expected return on the assets encompassed by the current investment policy. The anticipated gain on fixed-rate investments is based on gross gains upon redemption on the balance sheet date. The anticipated return on equity and property investments reflects anticipated long-term real returns in the respective markets.*

3) *The Group's pension expenses and pension commitments are based on the mortality table K2005, prepared by Finance Norway. K2005 is a calculation base for statistical mortality assumptions.*

Note 27 Pensions (continued)

Pension expenses — **DNB Group**

Amounts in NOK million	2011 Funded	2011 Unfunded	2011 Total	2010 Funded	2010 Unfunded	2010 Total
Net present value of pension entitlements	436	66	502	400	50	450
Interest expenses on pension commitments	521	66	587	500	86	586
Anticipated return on pension funds	(544)	0	(544)	(537)	0	(537)
Changes in pension schemes	0	0	0	(5)	(348)	(352)
Amortisation of changes in estimates not recorded in the accounts	121	(57)	65	5	1	6
Administrative expenses	50	0	50	41	0	41
Employer's contributions	63	18	82	54	18	72
Risk coverage premium	-	68	68	-	85	85
Contractual pensions, new scheme	-	48	48	-	-	0
Total defined benefit pension schemes	648	210	858	458	(106)	352
Defined contribution pension schemes			131			96
Net pension expenses			989			448

Pension commitments — **DNB Group**

Amounts in NOK million	31 Dec. 2011 Funded	31 Dec. 2011 Unfunded	31 Dec. 2011 Total	31 Dec. 2010 Funded	31 Dec. 2010 Unfunded	31 Dec. 2010 Total
Accrued pension commitments	13 322	1 777	15 098	11 118	1 662	12 781
Estimated effect of future salary adjustments	2 373	263	2 637	2 276	356	2 632
Total pension commitments	15 695	2 040	17 735	13 394	2 019	15 413
Value of pension funds	(10 727)	0	(10 727)	(10 178)	0	(10 178)
Net pension commitments	4 969	2 040	7 009	3 217	2 019	5 235
Changes in the estimates not recorded in the accounts	(4 876)	(159)	(5 035)	(2 855)	101	(2 754)
Employer's contributions	696	284	980	440	276	716
Total recorded pension commitments	789	2 165	2 953	801	2 396	3 197
Of which: Recorded defined benefit pension commitments			*3 125*			*3 361*
Recorded defined benefit pension assets			*171*			*164*

Pension commitments — **DNB Group**

Amounts in NOK million	2011	2010
Opening balance	15 413	14 272
Transition to defined contribution pension scheme	(118)	0
Accumulated pension entitlements	502	450
Interest expenses	587	586
Pension payments	(732)	(665)
Changes in pension schemes	0	(232)
Changes in estimates not recorded in the accounts	2 082	1 002
Closing balance	17 735	15 413

Pension funds — **DNB Group**

Amounts in NOK million	2011	2010
Opening balance	10 178	9 892
Transition to defined contribution pension scheme	(39)	0
Anticipated return	544	537
Premium transfers	575	584
Pension payments	(460)	(411)
Changes in pension schemes	0	0
Changes in estimates not recorded in the accounts	(35)	(382)
Administrative expenses	(37)	(42)
Closing balance	10 727	10 178

Premium transfers in 2012 are expected to be NOK 625 million. Payments through operations are estimated at NOK 220 million.

Past developments — **DNB Group**

Amounts in NOK million	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007
Gross pension commitments [1)]	18 715	16 129	14 870	15 696	14 996
Gross pension funds	(10 727)	(10 178)	(9 892)	(9 443)	(8 831)
Commitments not recorded in the accounts	(5 035)	(2 754)	(1 103)	(2 279)	(2 060)
Net recorded pension commitments	2 953	3 197	3 875	3 975	4 105

1) *Gross pension commitments include employer's contributions.*

Note 27 Pensions (continued)

Members	**DNB Group** 31 Dec. 2011	31 Dec. 2010
Number of persons covered by pension schemes	14 954	15 909
- of which defined benefit schemes	9 042	10 164
- of which retirement and disability pensions	5 912	5 745
- of which defined contribution schemes	2 142	672

Pension funds investments

The table below shows a percentage breakdown of pension funds in the group pension schemes administered by DNB Livsforsikring. DNB Livsforsikring administers NOK 9 143 million of the Group's total pension funds. The recorded return on assets in the common portfolio administered by DNB Livsforsikring was 3.2 per cent in 2011 and 6.2 per cent in 2010.

Per cent	**DNB Group** 31 Dec. 2011	31 Dec. 2010
Commercial paper and bonds at fair value	15	15
Commercial paper and bonds, held to maturity	35	33
Money market	23	12
Equities	8	21
Real estate	18	18
Other	1	2
Total	100	100

Sensitivity analysis for pension calculations

The following estimates are based on facts and conditions prevailing on 31 December 2011, assuming that all other parameters are constant. Actual results may deviate significantly from these estimates.

	DNB Group							
	Discount rate		Annual rise in salaries/ basic amount		Annual rise in pensions		Retirement rate	
Change in percentage points	+1%	-1%	+1%	-1%	+1%	-1%	+1%	-1%
Percentage change in pensions								
Pension commitments	15 - 17	15 - 17	9 - 11	9 - 11	11 - 13	11 - 13	1 - 2	1 - 2
Net pension expenses for the period	16 - 18	17 - 19	19 - 21	17 - 19	17 - 19	15 - 17	1 - 2	1 - 2

Pension commitments are particularly susceptible to changes in the discount rate. A reduction in the discount rate will, as an isolated factor, result in an increase in pension commitments. A one percentage point change in the discount rate will cause a change in pension commitments in the order of 15 to 17 per cent.

Higher salary increases and adjustments in pensions will also cause a rise in pension commitments. A one percentage point rise in salaries or the basic amount will give an anticipated rise of 9 to 11 per cent, while a corresponding increase in pensions will give an 11 to 13 per cent rise in commitments.

Note 28 Number of employees/full-time positions

	DNB Group 2011	2010
Number of employees as at 31 December	14 072	13 365
- of which number of employees abroad	4 674	4 391
Number of employees calculated on a full-time basis as at 31 December	13 620	13 021
- of which number of employees calculated on a full-time basis abroad	4 560	4 338
Average number of employees	13 641	13 485
Average number of employees calculated on a full-time basis	13 250	13 131

Note 29 Taxes

Taxes		**DNB Group**
Amounts in NOK million	2011	2010
Payable taxes	1 791	5 199
Changes in deferred taxes	3 632	(1 078)
Total taxes	**5 423**	**4 121**

Balancing tax charges against pre-tax operating profit

Amounts in NOK million	2011	2010
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	60
Tax effect of debt interest distribution with international branches	84	57
Tax effect of tax-exempt income from share investments	(334)	(1 683)
Tax effect of other tax-exempt income and non-deductible expenses	11	57
Estimated taxes on tax-related losses which cannot be utilised 1)	382	459
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.*

Tax effect of different tax rates in other countries

The Group has operations in a number of countries whose tax rates are different from that in Norway (28 per cent). The largest difference relates to the Group's operations in the US.

Tax effect of debt interest distribution with international branches

According to Norwegian tax legislation, external interest expenses shall be distributed proportionally among operations in Norway and international branches based on the respective units' total assets. This could result in additions or deductions from income in Norway.

Estimated taxes on tax-related losses which cannot be utilised

No deferred taxes are calculated on tax-related losses if the Group considers the future scope of such losses to be uncertain.

Note 29 Taxes (continued)

Deferred tax assets/(deferred taxes)		**DNB Group**
28 per cent deferred tax calculation on all temporary differences (Norway)		
Amounts in NOK million	2011	2010
Annual changes in deferred tax assets/(deferred taxes)		
Deferred tax assets/(deferred taxes) as at 1 January	799	(279)
Changes recorded against profits	(3 632)	1 078
Changes due to group contributions to subsidiaries	(1 421)	0
Deferred tax assets/(deferred taxes) as at 31 December	(4 254)	799

Deferred tax assets and deferred taxes in the balance sheet affect the following temporary differences:	31 Dec.	31 Dec.
Amounts in NOK million	2011	2010
Deferred tax assets		
Fixed assets	42	(791)
Net pension commitments	2	856
Financial instruments [1)]	90	(550)
Net other tax-deductable temporary differences	41	(276)
Losses and credit allowances carried forward	468	1 676
Total deferred tax assets	**643**	**915**
Deferred taxes		
Fixed assets	766	6
Net pension commitments	(832)	0
Financial instruments [1)]	5 119	32
Net other taxable temporary differences	539	78
Losses and credit allowances carried forward	(695)	0
Total deferred taxes	**4 897**	**116**

Deferred taxes in the profit and loss accounts affect the following temporary differences:		
Amounts in NOK million	2011	2010
Fixed assets	(73)	(77)
Pensions	22	192
Financial instruments	4 447	(426)
Other temporary differences	144	272
Losses and credit allowances carried forward	(908)	(1 039)
Deferred taxes	3 632	(1 078)

1) *A significant share of the financial instruments are carried at fair value in the accounts, while for tax purposes, the same instruments are recorded on an accrual basis in accordance with the realisation principle. This gives rise to large differences between profits stated in the accounts and profits computed for tax purposes for the individual accounting years, especially in years with significant fluctuations in interest rate levels and exchange rates. These differences are offset in the longer term.*

Deferred tax assets are capitalised to the extent it is probable that the Group will have taxable income against which temporary differences can be utilised. It will be possible to use deferred tax assets related to losses/credit allowances carried forward in connection with the use of group contributions. Net deferred taxes on temporary differences within the same tax group are assessed and entered net in the accounts.

The DNB Group's total tax charge for 2011 was NOK 5 423 million, up NOK 1 302 million from 2010. Relative to pre-tax operating profits, the tax charge increased from 23 to 29 per cent from 2010 to 2011. DNB has not recorded the change in deferred tax assets relating to the increase in losses carried forward in DNB Baltics due to uncertainty regarding the economic value of the tax deductions arising when using the right to carry such losses forward. In 2011, DNB recorded NOK 440 million of unrecorded deferred tax assets as income, referring to operations in Denmark. The losses carried forward will be utilised through allocations within the company. Unrecorded deferred tax assets relating to losses carried forward totalled NOK 936 million at year-end 2011.

Payable taxes for 2011 totalled NOK 1 791 million, a reduction of NOK 3 408 million from 2010. Differences in payable tax levels mainly reflect different rules for the treatment of financial instruments in the accounts and for tax purposes, see footnote 1 above.

Tax group

DNB's tax group consists of the parent company DNB ASA and the wholly-owned Norwegian subsidiaries DNB Bank ASA, DNB Livsforsikring ASA, DNB Asset Management ASA and DNB Skadeforsikring AS, all with Norwegian subsidiaries where DNB owns more than 90 per cent of the shares and has a corresponding share of the votes which can be cast at general meetings.

At the end of 2011, net deferred taxes of NOK 4 775 million were capitalised for the tax group, as against net deferred taxes assets of NOK 732 million in 2010.

Note 30 Classification of financial instruments

As at 31 December 2011 **DNB Group**

Amounts in NOK million	Financial instruments at fair value through profit and loss: Trading	Financial instruments at fair value through profit and loss: Designated as at fair value	Financial derivatives designated as hedging instruments	Financial instruments carried at amortised cost [1]	Financial instruments held to maturity	Total
Cash and deposits with central banks	192 783	22 001		9 797		224 581
Lending to and deposits with credit institutions	15 711	459		12 583		28 754
Lending to customers	936	102 358		1 175 966		1 279 259
Commercial paper and bonds	34 550	143 430				177 980
Shareholdings	9 420	43 592				53 012
Financial assets, customers bearing the risk		23 776				23 776
Financial derivatives	85 215		11 479			96 693
Commercial paper and bonds, held to maturity					166 965	166 965
Other assets				14 542		14 542
Total financial assets	338 615	335 616	11 479	1 212 887	166 965	2 065 562
Loans and deposits from credit institutions	189 964	66 329		23 260		279 553
Deposits from customers	47 690	18 884		673 462		740 036
Financial derivatives	62 867		1 498			64 365
Debt securities issued	221 581	64 412		349 164		635 157
Other liabilities				17 550		17 550
Subordinated loan capital		1 462		22 701		24 163
Total financial liabilities [2]	522 102	151 088	1 498	1 086 136	0	1 760 824

1) Includes hedged liabilities.

2) Contractual obligations of financial liabilities designated as at fair value totalled NOK 150 494 million.

As at 31 December 2010 **DNB Group**

Amounts in NOK million	Financial instruments at fair value through profit and loss: Trading	Financial instruments at fair value through profit and loss: Designated as at fair value	Financial derivatives designated as hedging instruments	Financial instruments carried at amortised cost [1]	Financial instruments held to maturity	Total
Cash and deposits with central banks	8 208	0		7 990		16 198
Lending to and deposits with credit institutions	35 287	641		11 863		47 792
Lending to customers	2 647	116 392		1 051 301		1 170 341
Commercial paper and bonds	40 471	163 733				204 204
Shareholdings	10 393	64 786				75 179
Financial assets, customers bearing the risk		23 506				23 506
Financial derivatives	69 773		8 384			78 156
Commercial paper and bonds, held to maturity					179 461	179 461
Other assets				10 499		10 499
Total financial assets	166 778	369 059	8 384	1 081 654	179 461	1 805 336
Loans and deposits from credit institutions	104 036	121 350		32 544		257 931
Deposits from customers	34 213	15 756		591 944		641 914
Financial derivatives	59 043		1 828			60 871
Debt securities issued	153 941	36 598		311 129		501 668
Other liabilities				14 738		14 738
Subordinated loan capital		1 260		32 219		33 479
Total financial liabilities [2]	351 234	174 965	1 828	982 575	0	1 510 602

1) Includes hedged liabilities.

2) Contractual obligations of financial liabilities designated as at fair value totalled NOK 174 521 million.

Note 31 Fair value of financial instruments at amortised cost

	DNB Group			
Amounts in NOK million	Recorded value 31 Dec. 2011	Fair value 31 Dec. 2011	Recorded value 31 Dec. 2010	Fair value 31 Dec. 2010
Cash and deposits with central banks	9 797	9 797	7 990	7 990
Lending to and deposits with credit institutions	12 583	12 583	11 863	11 863
Lending to customers	1 175 966	1 175 074	1 051 301	1 052 131
Commercial paper and bonds, held to maturity	166 965	166 682	179 461	179 632
Total financial assets	1 365 311	1 364 136	1 250 616	1 251 616
Loans and deposits from credit institutions	23 260	23 260	32 544	32 544
Deposits from customers	673 462	673 462	591 944	591 944
Securities issued	349 164	344 254	311 129	311 482
Subordinated loan capital	22 701	21 980	32 219	31 390
Total financial liabilities	1 068 586	1 062 955	967 837	967 361

Financial instruments at amortised cost

Most assets and liabilities in the DNB Group's balance sheet are carried at amortised cost. This primarily applies to loans, deposits and borrowings in the banking group's balance sheet, but also investments in bonds held to maturity. Long-term borrowings in Norwegian kroner are carried at fair value, while long-term borrowings in other currencies are carried at amortised cost. Hedge accounting may be applied.

Recording balance sheet items at amortised cost implies that the originally agreed cash flows are used, possibly adjusted for impairment. Such valuations will not always give values which are consistent with market assessments of the same instruments. Discrepancies may be due to diverging views on macro-economic prospects, market conditions, risk aspects and return requirements, as well as varying access to accurate information. The above table shows estimated fair values of items carried at amortised cost. Values are measured based on prices quoted in an active market where such information is available, internal models calculating a theoretical value when no such active market exists, or comparisons of prices on instruments in the portfolio relative to the last available transaction prices.

Valuations are based on the individual instruments' characteristics and values on the balance sheet date. However, these values do not include the total value of customer relationships, market access, brands, organisational aspects, employees and structural capital. Consequently, such intangible assets are generally not recorded in the accounts. In addition, most transactions with customers are assessed and priced collectively for several products, and products recorded in the balance sheet are considered along with other products and services used by the customer. Individual assets and liabilities recorded in the balance sheet thus give no adequate reflection of the total value of the Group's operations.

Lending to and deposits with credit institutions and lending to customers

The market for the purchase and sale of loan portfolios was restricted at year-end 2011. When valuing loans, the loan portfolio has been divided into the following categories: retail customers, shipping/offshore/logistics, energy international corporates, Nordic corporates, regional corporate clients, credit institutions, DNB Finans and Nordlandsbanken. In addition, separate calculations have been made for DNB Baltics and Poland.

The valuations are based on average margins in December, considered relative to the business units' best estimate of the potential margin requirement at year-end 2011 if the loans had been extended at that time. Differentiated margin requirements have been calculated for each category, as specified above, based on estimated costs related to lending. The margin requirement includes costs covering normalised losses, which, as opposed to write-downs recorded in the annual accounts, represent a long-term assessment of loss levels. Normalised losses for shipping, offshore and logistics are above the Group's average normalised losses. Average credit margins increased in 2011 and are roughly on a level with the Group's margin requirements.

In DNB Baltics and Poland loan terms, especially in Poland, are much longer than for other units in the Group. These calculations are based on the units' best estimates for duration and market terms.

There is fierce competition in the Norwegian retail market. There were no notified interest rate adjustments which had not been implemented in this market at year-end 2011. The fair value of retail loans and deposits at current prices has thus been set at amortised cost.

With respect to impaired loans, an assessment has been made of potential cash flows for the loans discounted by the effective rate of interest adjusted for changes in market conditions for corresponding non-impaired loans. Lending rates prior to provisions being made reflect the increased credit risk of the commitment. Given the general uncertainty in fair value measurements, DNB believes that the impaired value gives a good reflection of the fair value of these loans.

Customers will often use loan products which are carried partly at amortised cost and partly at fair value. The profitability of a customer relationship is considered on an aggregate basis, and prices are set based on an overall evaluation. Correspondingly, a possible reduction in the customer relationship value is based on an overall assessment of all products. Any decline or change in the value of products recorded at fair value is assessed based on the difference between the agreed price and the corresponding price of new products on the balance sheet date. Any decline in value apart from price changes on specific products is included in the overall assessment of credits in the relevant customer relationship. Any reduction in the total customer relationship value is measured on the basis of amortised cost and reported under write-downs on loans.

Commercial paper and bonds, held to maturity (see note 37 Commercial paper and bonds, held to maturity)

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.

Note 31 Fair value of financial instruments at amortised cost (continued)

Lending to and deposits from credit institutions and deposits from customers

The estimated fair value equals the balance sheet value for credit institutions. With respect to deposits from customers, fair value is assessed to equal amortised cost.

Securities issued and subordinated loan capital

Fair value measurement of securities issued and subordinated loan capital raised in foreign currency is based on future cash flows and assessed credit risk on the balance sheet date. The valuation is based on broker quotes. Values in connection with potential new issues are used, in the same way as for loans.

Note 32 Financial instruments at fair value

DNB Group

Amounts in NOK million	Valuation based on quoted prices in an active market Level 1	Valuation based on observable market data Level 2	Valuation based on other than observable market data Level 3	Accrued interest [1)]	Total
Assets as at 31 December 2011					
Deposits with central banks	0	214 775	0	9	214 784
Lending to and deposits with credit institutions	0	16 153	0	17	16 171
Lending to customers	0	2 502	100 339	453	103 294
Commercial paper and bonds	73 250	96 299	6 466	1 964	177 980
Shareholdings [2)]	17 015	27 025	8 973		53 012
Financial assets, customers bearing the risk	23 776	0	0		23 776
Financial derivatives	0	96 180	514		96 693
Liabilities as at 31 December 2011					
Loans and deposits from credit institutions	0	255 987	0	306	256 293
Deposits from customers	0	66 392	0	182	66 574
Debt securities issued	0	284 878	0	1 116	285 993
Subordinated loan capital	0	1 450	0	12	1 462
Financial derivatives	0	63 966	399		64 365
Assets as at 31 December 2010					
Deposits with central banks	0	8 208	0	0	8 208
Lending to and deposits with credit institutions	0	35 894	0	35	35 929
Lending to customers	0	2 646	115 839	555	119 039
Commercial paper and bonds	156 827	41 949	3 856	1 572	204 204
Shareholdings [2)]	38 683	28 123	8 372		75 179
Financial assets, customers bearing the risk	23 506	0	0		23 506
Financial derivatives	0	77 641	515		78 156
Liabilities as at 31 December 2010					
Loans and deposits from credit institutions	0	224 816	0	571	225 387
Deposits from customers	0	49 716	0	254	49 969
Debt securities issued	0	189 342	0	1 197	190 539
Subordinated loan capital	0	1 248	0	12	1 260
Financial derivatives	0	60 471	401		60 871

1) *Accrued interest on financial derivatives is included in the amounts in levels 2 and 3.*

2) *In addition to pure equity investments, this item includes mutual fund holdings and equity-related derivatives linked to DNB Markets' market-making activities (level 2). See note 33 Shareholdings.*

The levels

Level 1: Valuation based on quoted prices in an active market

Classified as level 1 are financial instruments valued by using quoted prices in active markets for identical assets or liabilities.

Instruments in this category include listed shares and mutual funds, Treasury bills and commercial paper traded in active markets.

Note 32 Financial instruments at fair value (continued)

Level 2: Valuation based on observable market data
Classified as level 2 are financial instruments which are valued by using inputs other than quoted prices, but where prices are directly or indirectly observable for the assets or liabilities, including quoted prices in non-active markets for identical assets or liabilities.

Included in this category are, among others, interbank derivatives such as interest rate swaps, currency swaps and forward contracts with prices quoted on Reuters or Bloomberg, basis swaps between the currencies NOK, EUR, USD and GBP and cross-currency interest rate derivatives with customers with insignificant credit margins. Exchange-traded options are classified as level 2 if it is possible to scan or interpolate/ extrapolate implicit volatility based on observable prices.

Level 3: Valuation based on other than observable market data
Included in this category are loans to customers and instruments where credit margins constitute a major part of adjustments to market value.

The instruments in the different levels

Lending to and deposits with credit institutions (level 2)
Lending to and deposits with credit institutions are primarily relevant for DNB Markets. The valuation is mainly based on agreed interest rate terms measured against a swap curve. The fixed-rate period is relatively short.

Lending to customers (level 3)
Loans consist primarily of fixed-rate loans in Norwegian kroner and parts of the portfolio of margin loans in Norwegian kroner. The value of fixed-rate loans is determined by discounting agreed interest flows over the term of the loan, using a discount factor adjusted for margin requirements. A margin requirement is calculated for margin loans, and the difference between the margin requirement and the agreed margin is discounted over the average expected time to the repricing of the loan.

In addition, DNB Baltics and Poland has a small portfolio of loans carried at fair value. The value of this portfolio converted into Norwegian kroner will be affected by exchange rate movements.

Commercial paper and bonds (levels 2 and 3)
The valuation in level 2 is primarily based on observable market data in the form of interest rate curves, exchange rates and credit margins related to the individual credit and the characteristics of the bond or commercial paper. For paper classified as level 3, the valuation is based on indicative prices from third parties or comparable paper.

Equities including mutual fund holdings and equity-related derivatives related to market-making (levels 2 and 3)
Equities classified as level 2 comprise equity derivatives used in DNB Markets' market-making activities. Most of these derivatives are related to the most traded equities on Oslo Børs, and the valuation is based on the price development of the relevant/underlying equity and observable or estimated volatility. Equities in level 2 also comprise mutual fund holdings where the underlying investments are quoted equities, as well as a small volume of other mutual funds. Instruments which are classified as level 3 essentially comprise property funds, limited partnership units, private equity investments, as well as hedge fund units and investments in unquoted equities.

Financial assets, customers bearing the risk (level 1)
The item applies in its entirety to unit-linked products in DNB Livsforsikring, and the value development of the underlying funds is available on a daily basis.

Financial derivatives (levels 2 and 3)
Financial derivatives classified as level 2 are primarily currency forward contracts and interest rate and currency swaps. The valuation is based on swap curves, and credit margins constitute a minor part of the value. In addition, the item comprises derivatives related to commodities and forward rate agreements. These are valued based on observable market prices. Financial derivatives classified as level 3 are primarily connected to currency options, interest rate options in Norwegian kroner, as well as index derivatives. The valuation is based on indicative prices from third parties.

Loans and deposits from credit institutions (level 2)
See "Lending to and deposits with credit institutions" above. The item also includes borrowings from Norges Bank in connection with the Norwegian government's covered bonds exchange scheme. The funding obtained through this scheme totalled NOK 65.9 billion at year-end 2011. See note 51 Information on related parties.

Deposits from customers (level 2)
Deposits carried at fair value include special-term deposits. The valuation is primarily based on measurement in relation to a swap curve, and changes in credit margins have an insignificant effect.

Debt securities issued (level 2)
The valuation is primarily based on observable market data in the form of interest rate curves and credit margins. The item consists mainly of funding in Norwegian kroner. For foreign currency funding, hedge accounting is used where hedges are entered into. In all other respects, debt securities issued are carried at amortised cost.

Subordinated loan capital (level 2)
Subordinated loans carried at fair value consist of two loans in Norwegian kroner, and the valuation is based on observable interest rate curves and credit margins.

Note 32 Financial instruments at fair value (continued)

Financial instruments at fair value, level 3

DNB Group

	Financial assets				Financial liabilities
Amounts in NOK million	Lending to customers	Commercial paper and bonds	Share-holdings [1]	Financial derivatives	Financial derivatives
Recorded value as at 31 December 2009	**149 893**	**2 180**	**5 623**	**453**	**350**
Net gains on financial instruments	(20)	(39)	1 204	(44)	28
Additions/purchases	5 067	2 775	1 976	305	238
Sales	0	1 120	398	0	0
Settled	39 019	480	0	199	215
Transferred from level 1 or level 2	0	1 053	0	0	0
Transferred to level 1 or level 2	0	461	35	0	0
Other [2]	(83)	(53)	2	0	0
Recorded value as at 31 December 2010	**115 839**	**3 856**	**8 372**	**515**	**401**
Net gains on financial instruments	205	(19)	221	33	(2)
Additions/purchases	20 115	2 687	607	220	0
Sales	0	761	227	0	0
Settled	35 831	2 260	0	255	0
Transferred from level 1 or level 2	0	2 950	0	0	0
Transferred to level 1 or level 2	0	40	0	0	0
Other [2]	11	52	1	0	0
Recorded value as at 31 December 2011	**100 339**	**6 466**	**8 973**	**514**	**399**

1) *Equities classified as level 3 comprise, in addition to pure equity investments, property fund units, limited partnership units, private equity investments and hedge fund units. Shares in Nets Holding received as consideration in connection with the merger between the payment services company Nordito and the Danish PBS Holding, representing NOK 1 226 million, are included under "additions/purchases" in 2010. The value of the investment increased by NOK 420 million from the merger date till year-end 2010.*

2) *Includes exchange rate effects arising from the translation of foreign operations.*

Lending to customers
The portfolio of loans carried at fair value consists primarily of fixed-rate loans in Norwegian kroner and a share of margin loans in Norwegian kroner. In addition, DNB Baltics and Poland has a small loan portfolio which is recorded at fair value.

Fixed-rate loans
The valuation of the loans is based on interest rates agreed with the customers concerned, discounted by a margin requirement based on the market situation at year-end 2011, as evaluated by Retail Banking. Fierce competition and transparency in the form of interest rate barometers within this market segment mean that there is relatively little uncertainty surrounding the margin requirement for such loans. With respect to these loans, customers have, as a rule, no possibility to withdraw from the agreements without paying compensation for the difference between the estimated and the registered margin. Fixed-rate loans carried at fair value totalled NOK 45 523 million at year-end 2011.

Margin loans carried at fair value
A margin loan has an agreed interest rate consisting of a reference interest rate and a margin add-on. Reference rates will normally be set for a period of three months, but the margin can be determined for considerably longer periods. In times of significant interest rate fluctuations and reduced liquidity in the market, as has been the case during the financial turmoil, long-term funding costs increased. This is of significance for the margin requirements used by the bank in its calculations. The margin requirements are measured against agreed margins, and discrepancies are discounted over the average period up until the expected margin adjustment. This period is based on assessments from the Group's business areas, but will require significant judgment based on past experience. The period up until the actual adjustment of the margin represents the largest element of uncertainty in these calculations. Margin loans carried at fair value totalled NOK 54 816 million at year-end 2011.

Commercial paper and bonds
Investments classified as level 3 primarily consist of municipal and government securities with short fixed-interest terms. The securities are of high quality, but with limited liquidity.

Equities including mutual fund holdings
Of the total invested amount of NOK 8 973 million at year-end 2011, NOK 3 647 million was invested in private equity funds, NOK 1 169 million in property funds, NOK 41 million in limited partnerships, NOK 1 163 million in unquoted hedge funds and NOK 2 953 million in unquoted equities. A common denominator for these investments is that there is a lag in the access to information from the units. In times of financial market turmoil, there may be considerable uncertainty related to the valuation of these investments.

Financial derivatives, assets and liabilities
Items classified as level 3 are primarily currency options, interest rate options in Norwegian kroner and derivatives related to developments in the consumer price index.

Note 32 Financial instruments at fair value (continued)

Sensitivity analysis, level 3

	DNB Group	
Amounts in NOK million	Recorded value 31 Dec. 2011	Effect of reasonably possible alternative assumptions
Lending to customers	100 339	(180)
Commercial paper and bonds	6 466	(18)
Shareholdings	8 973	-
Financial derivatives, net	115	-

In order to show the sensitivity of the loan portfolio, the discount rate on fixed-rate loans and the margin requirement on margin-based loans have been increased by 10 basis points. Level 3 bonds mainly represent investments in Norwegian municipalities, country municipalities, savings banks and power companies. The table shows the effects of a 10 basis point increase in the discount rate.

Level 3 equities represent a total of NOK 5 767 million in private equity investments, property funds, hedge funds and unquoted equities in DNB Livsforsikring. Lags in the access to information from the units may generally represent an element of uncertainty in the valuation of this type of investments. However, it is difficult to measure the sensitivity of the insurance portfolios with respect to the effects this may have for the owner. 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. See note 1 Important accounting estimates and discretionary assessments.

The Bank Group's portfolio of equities in level 3 was NOK 3 206 million at year-end 2011. The investment in Nets Holding was NOK 1 640 million. Alternative assumptions for this investment have had only insignificant effects.

Note 33 Shareholdings

Investments in shares, mutual funds and equity certificates [1]

Amounts in NOK million	DNB Group 31 Dec. 2011	31 Dec. 2010
Total investments in shares, mutual funds and equity certificates, excluding DNB Livsforsikring	12 405	14 736
Total investments in shares, mutual funds and equity certificates, DNB Livsforsikring	40 607	60 443
Total investments in shares, mutual funds and equity certificates	**53 012**	**75 179**

Specification of the largest investments in shares, mutual funds and equity certificates as at 31 December 2011

DNB Group excl. DNB Livsforsikring

Recorded value in NOK 1 000	Number of shares	Ownership share in per cent [2]	Recorded value
Financial institutions			
Gjensidige Forsikring [3]	416 638	0.1	28 790
Storebrand [3]	1 252 887	0.3	38 965
Other financial institutions			10 896
Total financial institutions			**78 651**
Norwegian companies			
Aker Solutions [3]	666 093	0.2	42 048
Algeta [3]	272 770	0.6	41 836
DnB NOR Eiendomsinvest I [3]	9 859 178	23.6	315 495
DnB NOR Shippinginvest I [3]	915 084	100.0	53 945
E6 Logistikk [3]	1 388 979	96.5	138 928
Finn Eiendom	755	7.6	82 317
IT-Fornebu Properities	16 198 752	12.6	207 930
Marine Harvest [3]	113 564 519	3.2	292 772
Norsk Hydro [3]	6 483 963	0.3	181 141
Orkla [3]	4 799 275	0.5	214 239
Petroleum Geo-Services [3]	875 183	0.4	57 267
Polaris Media [3]	3 651 236	7.5	96 758
Statoil [3]	3 379 238	0.1	518 632
Telenor [3]	2 898 932	0.2	284 018
Yara International [3]	1 677 485	0.6	407 934
Other Norwegian companies			1 069 824
Total Norwegian companies			**4 005 084**
Companies based abroad			
Axfood [3]	2 695 196	5.1	595 752
Calpine [3]	500 000	0.1	49 598
Cape Investment	9 261	13.9	115 857
Ensco plc American Depositary Shares [3]	3 856 228	1.7	1 083 000
Golar [3]	968 927	2.0	254 778
Nets Holding	33 547 173	18.2	1 640 469
North Atlantic Drilling [3]	17 710 000	1.8	163 817
Rowan Cos. [3]	6 240 000	4.9	1 132 000
Royal Caribbean Cruises [3]	468 771	0.2	70 244
Seadrill [3]	6 767 638	1.4	1 351 956
Subsea 7 [3]	946 221	0.3	107 785
Teekay [3]	870 000	0.1	142 700
Other companies based abroad			161 679
Total companies based abroad			**6 869 634**
Equity related derivatives [3]			**367 365**
Mutual funds			
Interest funds			255 072
Combination funds			17 203
Mutual funds			171 505
Private equity funds			369 000
Other funds			271 539
Total mutual funds			**1 084 318**
Total investments in shares, mutual funds and equity certificates			12 405 052

DNB Livsforsikring

Recorded value in NOK 1 000	Number of shares	Ownership share in per cent [2]	Recorded value
Financial institutions			
Gjensidige Forsikring	708 125	0.1	49 073
Storebrand	1 088 694	0.2	33 858
Other financial institutions			298 409
Total financial institutions			**381 340**
Norwegian companies			
Algeta	241 440	0.6	36 940
Norsk Hydro	2 618 668	0.1	72 642
Norsk Tillitsmann	26 214	0.2	51 117
Norwegian Property	6 108 018	1.2	44 955
Orkla	5 346 085	0.3	238 703
Oslo Børs VPS Holding	8 522 045	0.2	502 801
Petroleum Geo-Services	960 641	0.4	62 874
Rieber og Søn	919 039	0.6	35 843
Schibsted	306 923	0.3	45 701
Statoil	3 897 282	0.1	598 233
Telenor	2 429 529	0.2	238 337
TGS Nopec Geophysical Company	360 703	0.3	47 793
Yara International	695 370	0.2	166 889
Other Norwegian companies			562 345
Total Norwegian companies			**2 705 172**
Companies based abroad			
Apple	34 401	0.0	83 148
Chevron	59 587	0.0	37 837
Exxon Mobil	154 550	0.0	78 178
General Electric	650 124	0.0	69 489
Golar	168 190	0.4	44 369
Google	19 730	0.0	76 053
Johnson & Johnson	100 759	0.0	39 435
Microsoft	393 141	0.0	60 909
Nestlé	165 259	0.0	56 954
Pfizer	406 794	0.0	52 536
Procter and Gamble	140 750	0.0	56 036
Royal Caribbean Cruises	270 251	0.1	40 348
Seadrill	812 663	0.2	162 533
Siemens	69 287	0.0	39 690
Subsea 7	994 778	0.3	110 420
Other companies based abroad			4 343 435
Total companies based abroad			**5 351 370**
Mutual funds			
Interest funds			23 924 009
Combination funds			16 973
Mutual funds			3 015 117
Hedge funds			1 988 478
Private equity funds			3 224 487
Total mutual funds			**32 169 065**
Total investments in shares, mutual funds and equity certificates			40 606 947

1) *Primary capital certificates were savings banks' form of "shares", but did not give full ownership rights to equity, as is the case with shares. During 2009, a change was made to primary capital certificates, whereby the name was changed to equity certificates. The main difference between equity certificates and primary capital certificates is that investors' ownership interests in savings banks can now be held stable. This is possible as a larger share of profits can be distributed in the form of gifts. Savings banks can thus avoid dilution effects.*

2) *Ownership share in per cent is based on the company's total share capital and does not include derivative contracts.*

3) *Shares and funds carried at fair value in DNB Markets totalled NOK 9 388 million at year-end 2011, and equity-related derivatives represented NOK 367 million. DNB Markets' equity investment are mainly an instrument in hedging its equity derivative exposure through the business area's market making activities. Value at Risk for the equity operations in DNB Markets represented approximately NOK 3.4 million at year-end 2011.*

Note 34 Repurchase agreements and securities lending 1) 2)

Transferred assets still recognised in the balance sheet		**DNB Group**
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
Repurchase agreements		
Commercial paper and bonds	162	319
Securities lending		
Shares	122	1 370
Total repurchase agreements and securities lending	284	1 689

Liabilities associated with the assets		**DNB Group**
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
Repurchase agreements		
Loans and deposits from credit institutions	139	295
Deposits from customers	21	21
Securities lending		
Loans and deposits from credit institutions	103	1 310
Deposits from customers	25	129
Total liabilities	288	1 754

1) *Securities which have been sold under an agreement to repurchase are generally not derecognised, as the risk and returns associated with ownership of the assets are normally not transferred. Such transactions primarily involve fixed-income securities.*

2) *Includes securities which the recipient is entitled to sell or repledge, but which must be returned at the end of the agreement period. Agreements where the recipient has no such rights, but has received the securities as collateral, are not included. This includes repurchase agreements where the securities are deposited with a third party.*

Note 35 Securities received which can be sold or repledged 1)

Securities received		**DNB Group**
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
Reverse repurchase agreements		
Commercial paper and bonds	2 550	1 189
Securities borrowing		
Shares	2 346	3 073
Total securities received	4 896	4 262
Of which securities received and subsequently sold or repledged:		
Commercial paper and bonds	*2 518*	*1 003*
Shares	*1 112*	*1 895*

1) *Securities which have been purchased under an agreement to resell are generally not recognised, as the risk and returns associated with ownership of the assets are normally not transferred. Such transactions primarily involve fixed-income securities. Securities received, including securities received as collateral, are registered off the balance sheet irrespective of whether the Group has the right to sell or repledge the securities. Upon the sale of securities received, the Group will record an obligation in the balance sheet.*

Note 36 Financial assets and insurance liabilities, customers bearing the risk

		DNB Group
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
Mutual funds	10 163	11 513
Bond funds	6 486	5 007
Money market funds	2 646	2 296
Combination funds	2 280	2 674
Bank deposits	2 201	2 015
Total financial assets, customers bearing the risk 1)	**23 776**	**23 506**
Total insurance liabilities, customers bearing the risk	**23 776**	**23 506**

1) *The figures show a breakdown of customer assets invested in products with a choice of investment profile. For such assets, the customers carry the financial risk.*

Note 37 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.

Effects on profits of the reclassification	**DNB Group**	
Amounts in NOK million	2011	2010
Recorded amortisation effect	329	429
Net gain, if valued at fair value	(1 181)	536
Effects of reclassification on profits	1 510	(107)

Effects on the balance sheet of the reclassification	**DNB Group**	
Amounts in NOK million	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	**DNB Group**	
Amounts in NOK million	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	**DNB Group**	
Amounts in NOK million	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.*

Note 37 Commercial paper and bonds, held to maturity (continued)

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 second half 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.

		DNB Group
	Per cent 31 Dec. 2011	NOK million 31 Dec. 2011
Asset class		
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 38 Investment properties

	DNB Group	
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
DNB Livsforsikring	37 632	35 961
Other investment properties [1]	5 165	2 872
Total investment properties	**42 796**	**38 834**

1) Other investment property are mainly related to acquired companies.

Fair value

Investment properties in the Group are principally owned by DNB Livsforsikring. 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.

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 approximately 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.

Note 38 Investment properties (continued)

Investment properties according to geographical location

		DNB Livsforsikring		
Type of building	Location	Fair value *NOK million*	Gross rental area m^2	Average rental period *No. of years*
Office buildings	Eastern Norway	9 939	464 750	4.4
Office buildings	Rest of Norway	3 938	206 834	5.0
Shopping centres	Norwegian cities	8 965	303 509	4.5
Hotels	Norwegian cities	4 195	170 069	11.1
Office buildings/shopping centres/hotels	London/Stockholm/Gothenburg/Malmø	10 507	282 737	6.4
Other	Eastern and Western Norway	89	3 248	1.0
Total investment properties as at 31 December 2011		37 632	1 431 148	5.7
Total investment properties as at 31 December 2010		35 961	1 351 798	4.7
Change in 2011		1 671	79 350	1.0
Total investment properties as at 31 December 2011		37 632	1 431 148	5.7

Projects, expected completion

	DNB Livsforsikring		
Amounts in NOK million	2012	2013	2014
Contractual obligations for property purchases and development	617	385	106

Amounts included in the income statement

	DNB Group	
Amounts in NOK million	2011	2010
Rental income from investment properties	2 475	2 165
Direct expenses (including repairs and maintenance) related to investment properties generating rental income	473	410
Direct expenses (including repairs and maintenance) related to investment properties not generating rental income	20	1
Total	1 982	1 754

Changes in the value of investment properties

	DNB Group
Amounts in NOK million	Investment properties
Recorded value as at 31 December 2009	**33 381**
Additions, purchases of new properties [1]	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	**38 834**
Additions, purchases of new properties	1 368
Additions, capitalised investments	855
Additions, acquired companies	1 809
Net gains resulting from adjustment to fair value [2]	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 [3]	**42 796**

1) On 1 December 2010, DNB Bank ASA took over the property portfolio of Bovista, a company in liquidation. The bank paid a total of DKK 2 023 million for the properties.

2) 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.

3) The balance sheet value of projects was NOK 1 014 million as at 31 December 2011.

Note 39 Investments in associated companies

Amounts in NOK million	DNB Group 2011	DNB Group 2010
Recorded value as at 1 January	2 307	2 521
Share of profits after tax	11 861	180
Write-down of the ownership interest in Eksportfinans [1)]	(11 785)	0
Additions/disposals	30	(114)
Dividends	(225)	(280)
Recorded value as at 31 December [2)]	**2 189**	**2 307**

Amounts in NOK million	Assets 31 Dec. 2011 [3)]	Liabilities 31 Dec. 2011 [3)]	Income 2011 [3)]	Profit 2011 [3)]	Ownership share (%) 31 Dec. 2011	Recorded value 31 Dec. 2011	Recorded value 31 Dec. 2010
Eksportfinans AS [1)]	213 929	179 235	41 934	30 039	40	1 878	1 831
Amports Inc. [4)]	894	212	93	49	30	122	142
Nordito Property AS [5)]	147	69	31	13	40	85	80
Relacom Management AB [6)]	5 215	3 457	5 088	(213)	31	32	0
Faktor Eiendom ASA [7)]						0	148
Other associated companies						72	105
Total						**2 189**	**2 307**

1) *Large parts of Eksportfinans' liabilities are carried at fair value through profit or loss. Moody's and Standard and 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 NOK 11.8 billion. 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. See also note 51 Information on related parties.*

2) *Include deferred tax positions and value adjustments not reflected in the company's balance sheet.*

3) *Values in the accounts of associated companies. Preliminary and unaudited account have been used.*

4) *This auto transport company receives and prepares cars prior to and following overseas shipping. In the fourth quarter of 2010, the company's three large creditors agreed to recapitalise the company. The company's debt was converted to share capital in November 2010.*

5) *Nordito AS was merged with PBS Holding AS on 14 April 2010. The DNB Group has a 18.2 per cent ownership interest in the merged company, Nets AS. In connection with the merger, the properties owned by Nordito AS were demerged into a separate company, Nordito Property AS.*

6) *As part of the restructuring of the Realcom Group (Realcom), the creditors took over all shares in the company in April 2011. Debt totalling SEK 2.3 billion was thereafter converted. Prior to the debt conversion, DNB's loans to the company of SEK 701 million had been written down by SEK 656 million, whereby their residual value was SEK 45 million. This corresponded to the assessed value of DNB's share of the company's equity on the acquisition date.*

7) *Following the bankruptcy in Faktor Eiendom ASA, the values in the income statement have been written down to nil.*

Note 40 Intangible assets

Amounts in NOK million	DNB Group 31 Dec. 2011	DNB Group 31 Dec. 2010
Goodwill [1]	5 174	5 378
Capitalised systems development	1 511	1 416
Sundry intangible assets	319	370
Total intangible assets	**7 003**	**7 164**

DNB Group

Amounts in NOK million	Goodwill [1]	Postbanken brand name	Capitalised systems development [2]	Sundry intangible assets [3) 4)]	Total
Cost as at 1 January 2010	9 809	119	2 601	1 181	13 710
Additions			686	14	700
Additions from the acquisition/establishment of other companies					0
Increase/reduction in cost price					0
Disposals			48	226	274
Exchange rate movements	83		(12)	7	78
Cost as at 31 December 2010	9 892	119	3 227	975	14 214
Total depreciation and impairment as at 1 January 2010	4 403	68	1 112	482	6 065
Depreciation			335	129	464
Impairment	194	51	353		598
Disposals					
Exchange rate movements	(83)		12	(7)	(78)
Total depreciation and impairment as at 31 December 2010	4 514	119	1 812	605	7 050
Recorded value as at 31 December 2010	**5 378**	**0**	**1 416**	**370**	**7 164**
Cost as at 1 January 2011	9 892	119	3 227	975	14 214
Additions	23		722	27	772
Additions from the acquisition/establishment of other companies				27	27
Increase/reduction in cost price					0
Disposals		119	28		147
Exchange rate movements	(44)		(15)	0	(59)
Cost as at 31 December 2011	9 872	0	3 907	1 030	14 807
Total depreciation and impairment as at 1 January 2011	4 514	119	1 812	605	7 050
Depreciation			373	107	481
Impairment [4]	190		212		402
Disposals		119			119
Exchange rate movements	(6)		(2)	(1)	(8)
Total depreciation and impairment as at 31 December 2011	4 698	0	2 396	712	7 805
Recorded value as at 31 December 2011	**5 174**	**0**	**1 511**	**319**	**7 003**

1) See note 41 Goodwill.

2) Software expenses recorded in the balance sheet are depreciated according to the straight line principle over their expected useful life, usually five years.

3) Sundry intangible assets mainly comprise IT software and excess values relating to customer contracts and distributor networks. Sundry intangible assets are depreciated according to the straight line principle over the assets' expected useful lives, which range from three to ten years.

4) In consequence of lower growth prospects in the Polish market, it was considered necessary to record impairment losses for the remaining goodwill totalling NOK 190 million in 2011. There was no need for recording impairment losses for goodwill for other units. 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 2011. Write-downs of NOK 22 million were recorded on Postbanken's IT systems in 2011 following the conversion of Postbanken's customer accounts to DNB's IT systems.

Note 41 Goodwill

The DNB Group continually reviews whether the value of recorded goodwill and other intangible assets with an indefinite useful life is intact, and a complete impairment test of all cash-generating units is performed at least once a year. In the DNB Group's balance sheet, the individual goodwill items and intangible assets with an indefinite useful life are allocated to cash-generating units according to which units benefit from the acquired asset. The cash-generating unit is chosen based on considerations relating to where it is possible to identify and distinguish cash flows related to the unit. A cash-generating unit may record goodwill from several transactions, and an impairment test is then performed on the total goodwill entered in the accounts in the cash-generating unit.

Testing of values and key assumptions used in value in use calculations

Impairment testing of capitalised values is done by discounting expected future cash flows from the unit. The assessments are based on the value in use of the cash-generating units. The value in use represents the sum total of the estimated present value of expected cash flows for the plan period and projected cash flows after the plan period. Cash flows for the plan period normally have a three-year perspective based on budgets and plans approved by management. It must be possible to prove that budgets and plans based on past performance in the relevant unit are realistic. In the medium term, projections beyond the plan period are based on the expected economic growth rate for the cash-generating units. In the long-term an annual growth of 2.5 per cent is anticipated, which equals the expected long-term inflation rate. When a deviating long-term growth rate is used for cash-generating units, an explanation is provided in the description below.

The discount rate is based on an assessment of the market's required rate of return for the type of activity performed in the cash-generating unit. This required rate of return reflects the risk of operations. Impairment tests are generally performed on cash flows after tax in order to be able to directly employ the market's required rate of return. If the test shows that there may be a need for impairment, an assessment is also made of the pre-tax value of the cash flows. In assessments for the 2011 accounting year, a discount rate based on an adjusted capital asset pricing model has been used with a normalised risk-free interest rate in the unit's home market plus a normalised risk premium of 4 per cent. Beta values are estimated for each cash-generating unit. The normalised risk free interest rate is estimated to 5 per cent for units in Norway. For units in countries outside the Nordic region, such as the Baltic States, Poland and Russia, the discount rate is adjusted for country risk.

For units where recorded goodwill approximates the estimated value in use, DNB has carried out sensitivity analyses. These consider whether a change of key assumptions used in valuations of a unit would result in its capitalised value exceeding its value in use.

Goodwill		**DNB Group**
Unit	Recorded 31 Dec. 2011	Recorded 31 Dec. 2010
DNB Asset Management	1 676	1 675
DNB Baltics and Poland [1]		218
Retail Banking - parent bank	987	987
Cresco	502	502
Nordlandsbanken	478	478
DNB Finans - Car financing in Norway	365	365
DNB Finans - Car financing in Sweden	344	344
Other	822	809
Total goodwill	5 174	5 378

1) *DNB's share of recorded goodwill in DNB Baltics and Poland is 51 per cent.*

DNB Asset Management

The unit includes asset management operations, mainly in Norway and Sweden. Total goodwill from units in the operational area is assessed collectively, and the cash-generating unit represents the entire operational area. Operations are integrated, and synergies and rationalisation effects have been realised throughout the organisation. The operational area is the lowest level at which cash flows can be identified. The most critical assumptions for cash flows during the plan period are developments in the securities markets, net sales of mutual funds and margins. A required rate of return corresponding to 14.2 per cent before tax has been used.

Retail Banking – parent bank

The unit encompasses banking operations (loans and deposits) in the regional network in Norway, excluding Nordlandsbanken, and recorded goodwill mainly represents goodwill from the merger between DnB and Gjensidige NOR and some goodwill from previously acquired offices in Gjensidige NOR. Key assumptions for cash flows during the plan period are developments in margins, volumes and write-downs on loans. A required rate of return corresponding to 11.8 per cent before tax has been used.

Cresco

The unit encompasses external distribution of credit cards under the Cresco brand. Goodwill stems from the merger between DnB and Gjensidige NOR and the previous acquisition premium from the acquisition of Gjensidige Bank's credit card portfolio. Key assumptions for cash flows during the plan period are developments in margins, volumes and write-downs on loans. A required rate of return corresponding to 11.7 per cent before tax has been used.

Nordlandsbanken

The unit encompasses banking operations (loans and deposits) in Nordlandsbanken. Goodwill represents the acquisition premium from the acquisition of Nordlandsbanken. Nordlandsbanken remains a separate company in the DNB Group and is a logical cash-generating unit. Key assumptions for cash flows during the plan period are developments in margins, volumes and write-downs on loans. A required rate of return corresponding to 11.8 per cent before tax has been used.

Note 41 Goodwill (continued)

DNB Finans – Car financing in Norway
The unit encompasses DNB's car financing operations in Norway, and goodwill stems from DNB's acquisition of SkandiaBanken Bilfinans' operations in Norway with effect from 2008. Critical assumptions for cash flows during the plan period are car sales figures in Norway and DNB Finans' ability to retain customer relations with important car dealers, along with long-term margin developments and the level of write-downs on loans. A required rate of return corresponding to 13.4 per cent before tax has been used.

DNB Finans – Car financing in Sweden
The unit encompasses DNB Finans' car financing operations and leasing portfolio in Sweden. Goodwill stems from the previous acquisition of leasing portfolios and operations within vendor-based car financing in Sweden, and from the acquisition of SkandiaBanken's car financing operations in Sweden in 2008. Key assumptions for cash flows are car sales figures in Sweden and DNB Finans' ability to retain customer relations with important car dealers, along with long-term margin developments and the level of write-downs on loans. A required rate of return corresponding to 13.4 per cent before tax has been used.

Recorded impairment losses

Impairment losses per unit		**DNB Group**
Amounts in NOK million	2011	2010
DNB Baltics and Poland [1)]	190	0
Svensk Fastighetsförmedling AB		194
Brand name Postbanken		51
Total impairment losses on intangible assets with indefinite useful life	190	245

1) DNB's share of impairment losses for DNB Baltics and Poland.

DNB Baltics and Poland
DNB Baltics and Poland's recorded goodwill relates to operations in Poland and represented EUR 52.7 million at end-December 2010, of which DNB recorded 51 per cent. In consequence of lower growth prospects in the Polish market, it was decided to record impairment losses for the remaining goodwill totaling NOK 190 million in the fourth quarter of 2011. The cash-generating unit is included in the DNB Baltics and Poland profit centre, see note 3 Segments.

Note 42 Fixed assets

	DNB Group	
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
Bank buildings and other properties	690	554
Machinery, equipment and vehicles	5 504	5 127
Other fixed assets	142	112
Total fixed assets	**6 336**	**5 793**

			DNB Group
Amounts in NOK million	Bank buildings and other properties	Machinery, equipment and vehicles [1]	Total [2]
Accumulated cost as at 31 December 2010	693	11 166	11 859
Additions	171	2 343	2 515
Additions from merger/aquisition/establishment of other companies	0	0	0
Fixed assets, reclassified as held for sale	(57)	20	(36)
Disposals	57	1 391	1 449
Exchange rate movements	(9)	(6)	(15)
Cost as at 31 December 2011	855	12 092	12 947
Total depreciation and impairment as at 31 December 2010	139	6 039	6 178
Additions from merger/aquisition/establishment of other companies	0	0	0
Disposals	0	659	659
Depreciation [3]	20	1 186	1 206
Impairment	9	23	32
Exchange rate movements	(4)	(1)	(5)
Total depreciation and impairment as at 31 December 2011	165	6 588	6 752
Recorded value as at 31 December 2011	690	5 504	6 194

The DNB Group has not furnished security for loans/funding of fixed assets, including property.

1) *Including computer equipment and related software.*

2) *The total does not include "Other fixed assets".*

3) *Based on cost less any residual value, other assets are subject to straight-line depreciation over their expected useful life within the following limits:*

Technical installations	*10 years*
Machinery	*3-10 years*
Fixtures and fittings	*5-10 years*
Computer equipment	*3-5 years*
Means of transport	*5-7 years*

Note 43 Leasing

Financial leases (as lessor)	DNB Group	
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
Gross investment in the lease		
Due within 1 year	9 341	9 622
Due in 1-5 years	22 981	23 199
Due in more than 5 years	2 299	2 244
Total gross investment in the lease	34 620	35 065
Present value of minimum lease payments		
Due within 1 year	8 921	9 170
Due in 1-5 years	18 584	18 838
Due in more than 5 years	1 531	1 501
Total present value of lease payments	29 036	29 509
Unearned financial income	5 584	5 556
Unguaranteed residual values accruing to the lessor	47	46
Accumulated loan-loss provisions	1 532	1 529
Variable lease payments recognised as income during the period	107	115

Operational leases (as lessor)	DNB Group	
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
Future minimum lease payments under non-cancellable leases		
Due within 1 year	2 349	2 221
Due in 1-5 years	7 050	6 618
Due in more than 5 years	4 744	3 562
Total future minimum lease payments under non-cancellable leases	14 143	12 400

Operational leases (as lessee)	DNB Group	
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
Minimum future lease payments under non-cancellable leases		
Due within 1 year	162	102
Due in 1-5 years	1 281	1 023
Due in more than 5 years	6 945	7 195
Total minimum future lease payments under non-cancellable leases	8 388	8 320
Total minimum future sublease payments expected to be received under non-cancellable subleases	71	36

	DNB Group	
Amounts in NOK million	2011	2010
Leases recognised as an expense during the period		
Minimum lease payments	826	801
Variable lease payments	0	0
Total leases recognised as an expense during the period	826	801
Impairment on leases	29	11

Financial leases (as lessor)
The DNB Group's financial leasing operations apply to DNB Bank ASA and DNB Baltics and Poland.

Operational leases (as lessor)
Comprises operational leasing operations in DNB Bank ASA and DNB Baltics and Poland, in addition to leasing of investment properties in DNB Livsforsikring.

Operational leases (as lessee)
Mainly comprises premises leased by DNB Bank ASA. The DNB Group’s contractual minimum lease payments which are due in more than five years include the contract to lease new headquarters in Bjørvika in Oslo, which will be taken into use in 2012. DNB Livsforsikring entered into a contract in 2012 to purchase the buildings which will become DNB’s new headquarters in Bjørvika. The company will take over the buildings upon completion.

Note 44 Other assets

	DNB Group	
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
Accrued expenses and prepaid revenues	2 105	1 847
Amounts outstanding on documentary credits and other payment services	808	1 374
Unsettled contract notes	5 380	983
Past due, unpaid insurance premiums	1 001	743
Other amounts outstanding	5 762	5 551
Total other assets [1]	**15 055**	**10 499**

1) *Other assets are generally of a short-term nature.*

Note 45 Deposits from customers for principal sectors [1]

	DNB Group	
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
Retail customers	274 444	247 241
Transportation by sea and pipelines and vessel construction	54 942	60 543
Real estate	40 249	32 556
Manufacturing	26 271	21 980
Services	125 747	104 608
Trade	33 408	34 826
Oil and gas	35 340	22 236
Transportation and communication	22 716	23 117
Building and construction	18 128	15 085
Power and water supply	16 621	24 255
Seafood	5 270	4 961
Hotels and restaurants	2 075	1 838
Agriculture and forestry	4 062	2 986
Central and local government	24 658	20 473
Finance	55 222	24 498
Total deposits from customers, nominal amount	739 152	641 202
Adjustments	884	712
Deposits from customers	**740 036**	**641 914**

1) *The breakdown into principal sectors is based on standardised sector and industry categories set up by Statistics Norway.*

Note 46 Debt securities issued

	DNB Group	
Amounts in NOK million	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
Amounts in NOK million	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**

Maturity of debt securities issued recorded at amortised cost as at 31 December 2011 [1] [2]

			DNB Group
Amounts in NOK million	NOK	Foreign currency	Total
2012	0	14	14
Total commercial paper issued, nominal amount	0	14	14
2012	0	31 946	31 946
2013	0	36 211	36 211
2014	0	37 522	37 522
2015	0	46 171	46 171
2016	0	64 995	64 995
2017	0	28 713	28 713
2018 and later	0	85 194	85 194
Total bond debt, recorded at amortised cost, nominal amount	0	330 753	330 753
Total debt securities issued recorded at amortised cost, nominal amount	0	330 767	330 767

Maturity of debt securities issued recorded at fair value as at 31 December 2011 [1]

			DNB Group
Amounts in NOK million	NOK	Foreign currency	Total
2012	57	228 359	228 416
Total commercial paper issued, nominal amount	57	228 359	228 416
2012	1 291	1	1 292
2013	1 723	0	1 723
2014	14 469	0	14 469
2015	5 477	0	5 477
2016	10 218	0	10 218
2017	11 788	0	11 788
2018 and later	10 665	0	10 665
Total bond debt, nominal amount	55 631	1	55 632
Total debt securities issued recorded at fair value, nominal amount	55 687	228 360	284 048
Adjustments	1 955	18 388	20 343
Debt securities issued	57 643	577 514	635 157

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) *Includes hedged items.*

Note 47 Subordinated loan capital and perpetual subordinated loan capital securities

	DNB Group	
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
Term subordinated loan capital, nominal amount	12 859	17 167
Perpetual subordinated loan capital, nominal amount	4 158	7 005
Perpetual subordinated loan capital securities, nominal amount [1)]	5 973	8 241
Adjustments	1 174	1 065
Total subordinated loan capital and perpetual subordinated loan capital securities	**24 163**	**33 479**

Changes in subordinated loan capital and perpetual subordinated loan capital securities — **DNB Group**

Amounts in NOK million	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 [1)]	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**

DNB Group

Year raised	Recorded value in foreign currency		Interest rate	Maturity	Call date	Recorded value in NOK
Term subordinated loan capital						
2004	EUR	11	6-month EURIBOR + 2.40%	2014	2009	85
2006	EUR	500	3-month EURIBOR + 0.20%	2017	2012	3 883
2007	GBP	150	6.52% p.a.	2017	2012	1 395
2008	GBP	250	6.17% p.a.	2018	2013	2 325
2008	NOK	1 200	3-month NIBOR + 1.60%	2018	2013	1 200
2008	NOK	250	7.60% p.a.	2018	2013	250
2008	GBP	400	7.25% p.a.	2020	2015	3 720
Total, nominal amount						12 859
Perpetual subordinated loan capital						
1985	USD	215	3-month LIBOR + 0.25%			1 287
1986	USD	200	6-month LIBOR + 0.15%			1 197
1986	USD	150	6-month LIBOR + 0.13%			898
1999	JPY	10 000	4.51% p.a.		2029	776
Total, nominal amount						4 158
Perpetual subordinated loan capital securities [1)]						
2002	EUR	350	7.07% p.a.		2012	2 718
2007	GBP	350	6.01% p.a.		2017	3 255
Total, nominal amount						5 973

1) *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 the securities to be written down proportionally to equity if the bank's core capital ratio falls below 5 per cent or the 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 48 Provisions

			DNB Group
Amounts in NOK million	Issued financial guarantees	Other provisions	Total provisions 1)
Recorded value as at 31 December 2010	**195**	**751**	**946**
New provisions, recorded in the accounts *)	93	355	448
Amounts used	10	495	505
Reversals of unutilised provisions	42	62	104
Other changes	(1)	3	2
Recorded value as at 31 December 2011	**235**	**552**	**787**
**) Of which allocations for a general bonus to employees in 2011*		*217*	

1) *Provisions which are assumed to be settled after 12 months totalled NOK 345 million as at 31 December 2011.*

Note 49 Other liabilities

		DNB Group
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
Short-term funding	1 351	2 624
Accrued expenses and prepaid revenues	4 519	3 439
Liabilities related to factoring	165	126
Documentary credits, cheques and other payment services	1 272	1 729
Unsettled contract notes	4 500	1 892
Accounts payable	695	1 147
Other liabilities	5 049	3 782
Total other liabilities 1)	**17 550**	**14 738**

1) *Other liabilities are generally of a short-term nature.*

Note 50 Remunerations etc.

Information about DNB's remuneration scheme

Pursuant to the regulations on remuneration schemes in financial institutions etc., issued by the Norwegian Ministry of Finance on 1 December 2010, the remuneration regulations, undertakings are required to publish information about the main principles for determining remunerations, criteria for the stipulation of any variable remunerations and quantitative information on remuneration to senior executives, employees with responsibilities which are of great importance to the company's risk exposure, employees who are responsible for control functions and elected officers who receive corresponding remunerations. The information in this note, including the Board of Directors' statement on the stipulation of salaries and other remunerations to senior executives below, represents such information, as stipulated in the remuneration regulations.

The group guidelines for remuneration in the DNB Group apply to the total remuneration to all permanent employees in the DNB Group and comprise monetary remuneration (fixed salary, short and long-term incentives), employee benefits (pensions, employer's liability insurance and other employee benefits) and employee development and career measures (courses and development programmes, career programmes and other non-monetary remuneration).

According to the guidelines, total remuneration is to be based on a total evaluation of the performance of the Group, as well as the unit's and each individual's contributions to value creation. Total remuneration should be structured to ensure that it does not expose the Group to unwanted risk. The remuneration should be competitive, but also cost-effective for the Group.

Furthermore, monetary remuneration should consist of a fixed and a variable part where this is appropriate. Fixed salary should be a compensation for the responsibilities and requirements assigned to each position, as well as its complexity, while variable salary should encourage extraordinary performance and desired conduct.

To ensure compliance with the remuneration regulations, DNB implemented new group guidelines for variable remuneration in 2011, including special guidelines for variable remuneration to senior executives, employees with responsibilities which are of great importance to the company's risk exposure ("risk takers") and employees who are responsible for independent control functions. These guidelines aim to reduce excessive risk taking and promote sound and effective risk management.

Variable remuneration in DNB should promote a long-term profitability and is determined based on financial and non-financial target figures. In addition, an overall assessment should be made based on compliance with the Group's values and leadership principles. The variable remuneration schemes must be documented in a process which establishes, follows up and evaluates targets and target attainment, as well as a process for awarding and paying out variable remuneration.

Pursuant to Section 6-16a of the Norwegian Public Limited Companies Act, the Board of Directors will present the following remuneration guidelines to the Annual General Meeting:

"The Board of Directors' statement on the stipulation of salaries and other remunerations to senior executives
DNB's guidelines for determining remunerations to the group chief executive and other members of the group management team should, at all times, support prevailing strategy and values, while contributing to the attainment of the Group's targets. The remuneration should inspire conduct to build the desired corporate culture with respect to performance and profit orientation. In connection with this statement, the Board of Directors has passed a resolution which entails changes to the principles for the stipulation of remunerations compared with statements presented previously.

Decision-making process
The Board of Directors in DNB ASA has established a compensation committee consisting of three members: the chairman of the Board, the vice-chairman and one board member.

The Compensation Committee prepares matters for the Board of Directors and has the following main responsibilities:

- Annually evaluate and present its recommendations regarding the total remuneration awarded to the group chief executive
- Annually prepare a recommendation for the group chief executive's score card
- Based on suggestions from the group chief executive, decide the remuneration and other key benefits awarded to the group executive vice president, Group Audit
- Act in an advisory capacity to the group chief executive regarding remunerations and other key benefits for members of the group management team and, when applicable, for others who report to the group chief executive
- Consider other matters as decided by the Board of Directors and/or the Compensation Committee
- Evaluate other personnel-related issues which can be assumed to entail great risk to the Group's reputation

A. Guidelines for the coming accounting year
<u>Remuneration to the group chief executive</u>
The total remuneration to the group chief executive consists of fixed salary (main element), benefits in kind, variable remuneration, and pension and insurance schemes. The total remuneration is determined based on a total evaluation, and the variable part of the remuneration is primarily based on the following elements: financial risk-adjusted profits, customer satisfaction and the Group's reputation. In addition, the total evaluation will also reflect compliance with the Group's vision, values, code of ethics and leadership principles.

The fixed salary is subject to an annual evaluation and is determined based on general salary levels in the labour market and especially in the financial industry.

Variable salary to the group chief executive is determined based on specific performance measurements of defined target areas stipulated in the group chief executive's score card and an overall assessment. Variable salary cannot exceed 50 per cent of fixed salary. The group chief executive is not awarded performance-based payments other than the stated variable remuneration.

Note 50 Remunerations etc. (continued)

In addition to variable remuneration, the group chief executive can be granted benefits in kind such as company car, newspapers/periodicals and telephone/ other communication. Benefits in kind should be relevant to the group chief executive's function or in line with market practice, and should not be significant relative to the group chief executive's fixed salary.

The Board of Directors will respect the agreement entered into with the group chief executive, whereby his retirement age is 60 years with a pension representing 70 per cent of fixed salary. If employment is terminated prior to the age of 60, the pension will be paid from the age of 60 with the deduction of 1/14 of the pension amount for each full year remaining to his 60th birthday. According to the agreement, the group chief executive is entitled to a termination payment for two years if employment is terminated prior to the age of 60. If, during this period, the group chief executive receives income from other employment, the termination payment will be reduced by an amount corresponding to the salary received from this employment. Benefits in kind will be maintained for a period of three months.

Remuneration to other senior executives
The group chief executive determines the remunerations to senior executives in agreement with the Chairman of the Board of Directors. The Board of Directors will honour existing binding agreements.

The total remuneration to senior executives consists of fixed salary (main element), benefits in kind, variable salary, and pension and insurance schemes. The total remuneration is determined based on the need to offer competitive terms in the various business areas. The remunerations should promote the Group's competitiveness in the relevant labour market, as well as the Group's profitability, including the desired trend in income and costs. The total remuneration should take DNB's reputation into consideration and not be market-leading, but should ensure that DNB attracts and retains senior executives with the desired skills and experience.

The fixed salary is subject to an annual evaluation and is determined based on general salary levels in the labour market and especially in the financial industry.

Benefits in kind may be offered to senior executives to the extent the benefits have a relevant connection to the employee's function in the Group or are in line with market practice. The benefits should not be significant relative to the employee's fixed salary.

New group guidelines for variable remuneration
DNB implemented new group guidelines for variable remuneration in 2011 to ensure compliance with the remuneration regulations and Circular no. 11/2011, dated 21 February 2011, from Finanstilsynet on remuneration schemes in financial institutions, investment firms and management companies for mutual funds.

The intention of DNB's variable remuneration scheme is to reward conduct and develop a corporate culture which ensures long-term value generation. The scheme is in line with the Group's remuneration policy and general guidelines approved by DNB's Compensation Committee. In line with prevailing guidelines, the group chief executive has overall operational responsibility for the group scheme.

With respect to the Group's international branches and subsidiaries, the respective national authorities have laid down local laws, regulations and guidelines. There may be challenges of a legal nature in cases where the Norwegian regulations do not correspond to local legislation and local rules concerning remunerations in financial institutions. In such cases, the Group will seek advice from Finanstilsynet and international experts to ensure that the Group's practices are in compliance with both Norwegian and local regulations.

Variable salary is based on specific performance measurements of defined target areas stipulated in the executive's score card and an overall assessment reflecting compliance with the Group's vision, values, code of ethics and leadership principles. The scheme should be performance-based without exposing the Group to unwanted risk. Furthermore, it should counteract excessive risk taking and promote sound and effective risk management in DNB. Variable remuneration (bonus) for senior executives cannot exceed 50 per cent of fixed salary.

The Group's variable remuneration scheme for 2012 will be based on new regulatory requirements and is described in the Group's new variable remuneration guidelines. In addition, the guidelines are based on prevailing group policy. The new group guidelines for variable remuneration should ensure that the Group's schemes counteract excessive risk taking and that the Group will achieve and retain a robust capital adequacy ratio and long-term profitability. The scheme should promote sound and effective risk management in DNB and ensure that total remunerations underpin the Group's strategy and interests.

DNB's variable remuneration scheme applies globally, though non-Norwegian branches and subsidiaries will also be required to comply with local legislation, regulations and guidelines.

Target structure 2012
The Group's Compensation Committee approves principal criteria, principles and limits for variable remuneration. The criteria, principles and structure for 2012 reflect changes in external parameters with respect to capital adequacy and liquidity. The Compensation Committee has decided that return on risk-adjusted capital (RORAC), Tier 1 capital ratio and cost/income ratio constitute the Group's key figures for 2012. In addition to the financial key figures, measurement criteria include the Group's customer satisfaction index and reputation scores.

The Group's financial target figures have been broken down into relevant variables for the various business areas and staff and support units in order to offer optimal support for the implementation of new capital adequacy and liquidity regulations. Due to uncertainty concerning both the new regulations and the financial market turmoil, the Board's Compensation Committee has granted the group chief executive greater authority to implement the required corrective measures relating to variable remuneration for 2012.

The above targets will be used as a basis for the scorecards and be key elements when calculating and paying out the variable remuneration earned for 2012. All financial variables have been defined and communicated to the relevant business areas and staff and support units as part of the work with the scorecards for 2012.

Note 50 Remunerations etc. (continued)

Calculation of variable remuneration for 2012

The calculation of the earned variable remuneration for 2012 will consist of the following elements:

- Approved individual maximum limits for variable remuneration
- Assessment of target attainment based on criteria specified in the individual scorecard
- An overall assessment of compliance with the Group's values and leadership principles, and a general assessment of the individual's contributions to the unit's target attainment

The group chief executive may impose general restrictions on variable remuneration payments pursuant to the remuneration regulations and the Group's own guidelines.

Special rules for senior executives, identified risk takers and employees responsible for independent control functions

DNB has prepared and implemented special guidelines for identified risk takers, employees responsible for independent control functions and senior executives, hereinafter called risk takers. The special guidelines supplement the general group guidelines for variable remuneration and have been formulated in compliance with the remuneration regulations.

For risk takers, the following main principles apply to variable remuneration:

- A two-year service period
- Deferred and conditional payment of minimum 50 per cent of the earned variable remuneration in the form of DNB shares. The remuneration paid in the form of shares will be divided into three, subject to minimum holding periods (deferred and conditional), with one-third payable each year over a period of three years. The deferred and conditional payments will be in compliance with the stipulations in the remuneration regulations.

Pensions etc.

Pension schemes and any agreements on termination payments etc. should be considered relative to other remuneration and should ensure competitive terms. The various components in pension schemes and severance pay, either alone or together, must not be such that they could pose a threat to DNB's reputation.

As a main rule, senior executives are entitled to a pension at the age of 65, though this can be deviated from. In accordance with the Group's defined benefit pension scheme, pension entitlements should not exceed 70 per cent of fixed salary and should constitute maximum 12 times the National Insurance basic amount. However, the DNB Group will honour existing agreements. A defined contribution scheme was established for the Group with effect from 1 January 2011, whereby pensionable income will be limited to 12 times the National Insurance basic amount. Parallel to this, the Group's defined benefit pension scheme was closed for new members as from 31 December 2010. All employees encompassed by the defined benefit pension scheme were given the opportunity to transfer to defined contribution pensions.

As a main rule, no termination payment agreements will be signed. However, the Group will honour existing agreements.

When entering into new agreements, the guidelines generally apply and comprise all senior executives.

See table of remunerations for senior executives below.

B. Binding guidelines for shares, subscription rights, options etc. for the coming accounting year

An amount corresponding to 50 per cent of the earned variable salary of the group chief executive and senior executives is invested in shares in DNB ASA. The minimum holding periods are one year for one-third of the shares, two years for one-third of the shares and three years for the final one-third of the shares.

No additional shares, subscription rights, options or other forms of remuneration only linked to shares or only to developments in the share price of the company or other companies within the Group, will be awarded to the group chief executive or senior executives. The group chief executive and senior executives are, however, given the opportunity to participate in a share subscription scheme on the same terms as other employees in the DNB Group.

C. Statement on the senior executive salary policy in the previous account year

In 2011, the remuneration agreement for the head of DNB Markets was renegotiated based on the remuneration regulations. In all other respects, the guidelines determined for 2011 have been followed.

D. Statement on the effects for the company and the shareholders of remuneration agreements awarding shares, subscription rights, options etc.

An amount corresponding to 50 per cent of the gross variable salary earned by the group chief executive and senior executives in 2011 is invested in shares in DNB ASA. The Board of Directors believes that the awarding of shares to senior-executives, in view of the total number of shares in the company, will have no negative consequences for the company or the shareholders."

Terms for the chairman of the Board of Directors

Anne Carine Tanum received a remuneration of NOK 456 000 in 2011 as a chairman of the Board of Directors of DNB ASA, compared with NOK 445 000 in 2010. In addition, she received NOK 364 000 as chairman of the Board of Directors of DNB Bank ASA, compared with NOK 355 000 in 2010.

Terms for the group chief executive

Rune Bjerke received an ordinary salary of NOK 4 901 000 in 2011, compared with NOK 4 667 000 in 2010. The Board of Directors of DNB ASA stipulated the group chief executive's bonus payment for 2011 at NOK 1 655 000, compared with NOK 1 890 000 for 2010. The bonus for 2011 will be paid in 2012. Benefits in kind were estimated at NOK 250 000, compared with NOK 276 000 in 2010. Costs for DNB in connection with the group chief executive's pension scheme were NOK 3 957 000 for the 2011 accounting year, compared with NOK 4 088 000 in 2010. Costs are divided between DNB ASA and DNB Bank ASA.

Note 50 Remunerations etc. (continued)

The table has been constructed to show rights earned during the period.

Remunerations etc. in 2011 — DNB Group

Amounts in NOK 1 000	Fixed annual salary as at 31 Dec. 2011 [1]	Paid remunera-tion in 2011 [2]	Paid salaries in 2011 [3]	Bonus earned in 2011	Benefits in kind and other benefits in 2011 [4]	Total remunera-tion earned in 2011	Bonus earned in 2010 [5]	Loans as at 31 Dec. 2011 [6]	Accrued pension expenses	Current value of pension agree-ment [7]
Board of Directors of DNB ASA										
Anne Carine Tanum (chairman) [8]	-	820	-	-	1	821	-	0	-	-
Bjørn Sund (vice-chairman) [8]	-	355	-	-	1	356	-	0	-	-
Gunilla Berg (until 16 June 2011)	-	130	-	-	0	130	-	0	-	-
Jarle Bergo (from 16 June 2011) [9]	-	300	-	-	1	302	-	0	-	-
Bente Brevik [9]	-	354	-	-	1	355	-	0	-	-
Sverre Finstad (from 16 June 2011)	577	421	583	18	52	1 075	29	729	53	1 768
Per Hoffmann (until 16 June 2011)	-	260	422	-	12	695	20	1 593	45	2 822
Jørn O. Kvilhaug (until 16 June 2011)	1 000	330	1 141	18	23	1 512	20	761	173	7 076
Carl A. Løvvik (from 16 June 2011)	556	162	619	18	14	813	35	23	63	1 554
Bent Pedersen (until 16 June 2011) [9]	-	315	-	-	0	315	-	0	-	-
Tore Olaf Rimmereid [8] [9]	-	437	-	-	1	438	-	5	-	-
Ingjerd Skjeldrum	653	534	678	18	11	1 242	20	407	82	2 697
Group management										
Rune Bjerke, CEO	4 753	-	4 901	1 655	250	6 805	1 890	158	3 957	21 055
Bjørn Erik Næss, CFO	3 393	-	3 520	1 233	181	4 934	1 468	1 990	4 678	19 019
Trond Bentestuen, group EVP (from 1 July 2011)	2 100	-	2 077	866	181	3 124	838	5 926	502	2 415
Ottar Ertzeid, group EVP [1]	7 700	-	8 183	3 137	170	11 490	8 818	52	629	10 939
Liv Fiksdahl, group EVP	1 960	-	2 010	812	177	2 999	871	2 523	910	11 402
Solveig Hellebust, group EVP	2 030	-	2 072	776	181	3 029	859	0	211	776
Cathrine Klouman, group EVP	2 234	-	2 333	803	183	3 318	1 011	3 335	1 212	11 205
Kari Olrud Moen, group EVP (from 1 July 2011)	1 700	-	1 682	707	160	2 548	700	0	573	3 850
Karin Bing Orgland, group EVP	2 861	-	2 975	879	181	4 035	989	2	1 380	24 647
Tom Rathke, group EVP	2 982	-	3 280	991	198	4 469	1 282	4 036	2 326	21 317
Leif Teksum, group EVP	3 402	-	3 530	1 230	194	4 954	1 493	1 668	2 208	40 231
Control Committee										
Frode Hassel (chairman)	-	384	-	-	-	384	-	0	-	-
Thorstein Øverland (vice-chairman)	-	283	-	-	21	304	-	1	-	287
Svein Brustad	-	251	-	-	-	251	-	0	-	-
Svein Norvald Eriksen	-	251	-	-	-	251	-	1 614	-	-
Karl Olav Hovden	-	251	-	-	255	506	-	0	-	3 358
Merete Smith	-	276	-	-	-	276	-	0	-	-
Supervisory Board	-	1 786	-	-	-	1 786	-	-	-	-
Lending to other employees								14 340 796		

Note 50 Remunerations etc. (continued)

The table has been constructed to show rights earned during the period.

Remunerations etc. in 2010 **DNB Group**

Amounts in NOK 1 000	Fixed annual salary as at 31 Dec. 2010 [1)]	Paid remuneration in 2010 [2)]	Paid salaries in 2010 [3)]	Bonus earned in 2010 [5)]	Benefits in kind and other benefits in 2010 [4)]	Total remuneration earned in 2010	Bonus earned in 2009 [5)]	Loans as at 31 Dec. 2010 [6)]	Accrued pension expenses	Current value of pension agreement [7)]
Board of Directors of DNB ASA										
Anne Carine Tanum (chairman) [8)]	-	800	-	-	0	800	-	0	-	-
Bjørn Sund (vice-chairman) [8)]	-	355	-	-	0	355	-	0	-	-
Gunilla Berg	-	260	-	-	0	260	-	0	-	-
Per Hoffmann	579	520	585	20	14	1 139	9	1 601	48	1 676
Jørn O. Kvilhaug	971	455	986	20	17	1 477	89	385	180	5 433
Bent Pedersen [9)]	-	630	-	-	1	631	-	0	-	-
Tore Olaf Rimmereid [8) 9)]	-	395	-	-	1	396	-	1	-	-
Ingjerd Skjeldrum	633	520	657	20	11	1 208	9	452	84	2 098
Bente Brevik (from 15 June 2010) [9)]	-	187	-	-	0	187	-	0	-	-
Siri Pettersen Strandenes (until 15 June 2010) [9)]	-	256	-	-	1	256	-	3	-	-
Group management										
Rune Bjerke, CEO	4 592	-	4 667	1 890	276	6 833	674	0	4 088	13 300
Bjørn Erik Næss, CFO	3 282	-	3 409	1 468	176	5 053	1 044	1 980	4 040	10 365
Ottar Ertzeid, group EVP	1 650	-	2 439	8 818	168	11 424	8 409	42	574	6 885
Liv Fiksdahl, group EVP	1 826	-	1 866	871	169	2 906	695	2 797	797	7 023
Solveig Hellebust, group EVP	1 906	-	1 870	859	177	2 906	564	0	157	270
Cathrine Klouman, group EVP	2 161	-	2 246	1 011	321	3 579	796	3 495	1 075	6 879
Karin Bing Orgland, group EVP	2 768	-	2 861	989	177	4 027	923	3	1 348	17 325
Tom Rathke, group EVP	2 884	-	3 098	1 282	177	4 558	1 199	301	2 400	15 137
Leif Teksum, group EVP	3 291	-	3 418	1 493	228	5 139	1 047	1 804	2 367	32 526
Control Committee										
Frode Hassel (chairman)	-	387	-	-	-	387	-	0	-	-
Thorstein Øverland (vice-chairman)	-	283	-	-	17	300	-	1	-	269
Svein Brustad	-	243	-	-	-	243	-	0	-	-
Svein Norvald Eriksen	-	243	-	-	-	243	-	1 568	-	-
Karl Olav Hovden	-	385	-	-	4	389	-	6	-	3 125
Merete Smith	-	264	-	-	-	264	-	0	-	-
Supervisory Board	-	1 158	-	-	-	1 158	-	-	-	-
Lending to other employees								12 443 451		

1) *Fixed annual salary at year-end for employees who were members of the Board of Directors or the group management team during the year. The composition of the remuneration of group executive vice president Ottar Ertzeid, head of DNB Markets, has been changed in line with the regulations on remunerations in financial institutions effective on 1 January 2011.*

2) *Includes remuneration received from all companies within the DNB Group for service on Boards of Directors and committees. Board remuneration from DNB ASA was NOK 2 892 000 in 2011. Some persons are members of more than one body.*

3) *Includes salary payments for the entire year and holiday pay on bonuses. Some employees were members of the Board of Directors or the group management team for only parts of the year.*

4) *Includes pension payments.*

5) *20 per cent of variable salary was given in the form of shares at the market price prevailing at the time of allotment. The shares were allotted with a minimum holding period of two years. The allotment date was 6 May 2011 for bonuses earned in 2010, and a total of 50 172 shares were bought in the market at a price of NOK 79.73 per share. The allotment date for bonuses earned in 2009 was 29 April 2010, and a total of 19 896 shares were bought in the market at a price of NOK 69.08 per share for all group executive vice presidents apart from the head of DNB Markets. The variable salary earned by group executive vice president Ottar Ertzeid, head of DNB Markets, in 2009 was invested in its entirety in shares in DNB ASA. The shares have a minimum holding period of three years.*

6) *Loans to shareholder-elected representatives are extended on ordinary customer terms. Loans to DNB employees are extended on special terms, which are close to ordinary customer terms.*

7) *The net present value of pension agreements represents accrued pension commitments excluding payments into funded pension schemes. Assumptions used in actuarial calculations of accrued pension expenses and the present value of pension agreements are shown in note 27 Pensions. The increase in the net present value of pension agreements in 2011 was mainly due to changes in the discount rate.*

8) *Also a member of the Compensation Committee.*

9) *Also a member of the Audit Committee.*

Note 50 Remunerations etc. (continued)

Other information on pension agreements

Rune Bjerke has a pension agreement entitling him to a pension representing 70 per cent of pensionable income from the age of 60. Bjørn Erik Næss, Liv Fiksdahl, Cathrine Klouman, Kari Olrud Moen, Tom Rathke and Leif Teksum are entitled to a pension representing 70 per cent of pensionable income from the age of 62. Trond Bentestuen and Karin Bing Orgland are entitled to a pension representing 70 per cent of pensionable income from the age of 65. Ottar Ertzeid has a pension agreement entitling him to pension representing 70 per cent of pensionable income from the age of 62, or 65 at the latest. Solveig Hellebust has a pension agreement entitling her to a pension representing 70 per cent of fixed salary, limited to 12 times the National Insurance basic amount, from the age of 65, with no curtailment from the age of 65 through 67.

Subscription rights programme for employees

There was no subscription rights programme for employees in the DNB Group at year-end 2011.

Remuneration to the statutory auditor	**DNB ASA**		**DNB Group**	
Amounts in NOK 1 000	2011	2010	2011	2010
Statutory audit [1]	625	701	23 995	24 141
Other certification services	0	250	5 010	2 274
Tax-related advice [2]	0	0	5 339	4 226
Other services	0	460	2 006	2 875
Total remuneration to the statutory auditor	625	1 411	36 350	33 650

1) *Includes fees for auditing funds managed by DNB.*

2) *Mainly related to assistance in tax matters for employees outside Norway.*

Note 51 Information on related parties

The largest owner of the DNB Group is the Norwegian government, represented by the Ministry of Trade and Industry, which owns and controls 34 per cent of the shares in the parent company DNB ASA. See note 53 Largest shareholders.

A large number of bank transactions are entered into with related parties as part of ordinary business transactions, comprising loans, deposits and foreign exchange transactions. These transactions are based on market terms. The table below shows transactions with related parties, including balance sheets at year-end and related expenses and income for the year. Related companies are associated companies plus DNB NOR Savings Bank Foundation. See note 39 for a specification of associated companies. Loans to board members and their spouses/ partners and under-age children are extended on ordinary customer terms. Loans to group management, like loans to other group employees, are extended on special terms, which are close to ordinary customer terms.

Transactions with related parties				**DNB Group**
	Group management and Board of Directors		Related companies	
Amounts in NOK million	2011	2010	2011	2010
Loans as at 1 January	18	22	1 558	381
New loans/repayments during the year	5	(4)	(130)	1 177
Changes in related parties [1]	4	0	47	0
Loans as at 31 December	**27**	**18**	**1 475**	**1 558**
Interest income	**1**	**1**	**65**	**41**
Deposits as at 1 January [2]	22	22	10 171	9 702
Deposits/withdrawals during the year	(4)	0	3 996	469
Changes in related parties [1]	3	0	63	0
Deposits as at 31 December	**20**	**22**	**14 230**	**10 171**
Interest expenses	**1**	**1**	**102**	**168**
Guarantees [2]	**-**	**-**	**22 566**	**10 483**

1) *Following the bankruptcy in Faktor Eiendom ASA in 2011, the company is no longer included among the Group's related parties. As part of the restructuring of the Realcom Group (Realcom), the creditors took over all shares in Realcom AB in April 2011. Debt totalling SEK 2.3 billion was thereafter converted.*

2) *DNB Bank ASA carries loans in its balance sheets which according to a legal agreement have been transferred to Eksportfinans and are guaranteed by DNB Bank ASA. According to the agreement, DNB still carries interest rate risk and credit risk associated with the transferred portfolio. These portfolios totalled NOK 10 632 million and NOK 9 203 million respectively at year-end 2011 and 2010. The loans are set off by deposits/payments from Eksportfinans. DNB Bank ASA has also issued guarantees for other loans in Eksportfinans.*

No write-downs were made on loans to related parties in 2010 and 2011. Reference is made to note 50 for information on loans to group management members and directors. Transactions with deputy members of the Board of Directors are not included in the table above. In general, DNB employee loans should be paid by automatic debit in monthly instalments in arrear. Employees' commitments are within the term limits applying to general customer relationships. Security is furnished for employee loans in accordance with legal requirements.

Note 51 Information on related parties (continued)

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 40,43 per cent. The agreement secures Eksportfinans against further decreases in portfolio values of up to NOK 5 billion effective from 29 February 2008. Any recovery of values relative to nominal values will accrue to the participants in the portfolio hedge agreement as payment for their hedging commitment.
- During the first quarter of 2008, Eksportfinans' largest owner banks, DNB 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.

Capitalisation and valuation of subsidiaries

In 2011, DNB Bank ASA took over the shares in AS DNB Banka in Latvia for LVL 173 million from Bank DNB A/S in Copenhagen. In the third quarter of 2011, the company's subordinated loans, totalling LVL 104 million, were converted to equity. At year-end 2011, the value of the company was reviewed. Due to large write-downs on loans in the second half of the year, the value of DNB Bank ASA's investment was written down by LVL 67 million. Following the write-down, DNB Bank ASA's investment in the company represented the equivalent of NOK 2.9 billion.

DNB Bank ASA also took over the shares in AB DNB Bankas in Lithuania for LTL 913 million. In the third quarter of 2011, subordinated loans totalling LTL 364 million were converted to equity, whereafter the total investment of DNB Bank ASA represented the equivalent of NOK 2.3 billion.

At year-end 2011, DNB Bank ASA's investment in Postbanken Eiendomsmegling AS was written down by NOK 24 million following a review of the company's earnings.

During 2011, DNB Bank ASA received a NOK 8 billion capital injection to strengthen the company's capital adequacy, while DNB Livsforsikring ASA received NOK 3 billion from DNB ASA.

Note 52 Earnings per share

	DNB Group	
	2011	2010
Profit for the year (NOK million)	12 979	14 062
Profit attributable to shareholders (NOK million)	12 979	14 814
Profit attributable to shareholders excluding operations held for sale (NOK million)	12 984	14 739
Profit from operations and non-current assets held for sale, after taxes	(5)	75
Average number of shares (in 1 000) [1]	1 625 558	1 623 198
Average number of shares, fully diluted (in 1 000) [1]	1 625 558	1 623 198
Earnings/diluted earnings per share (NOK) [2]	7.98	8.66
Earnings/dilutet earnings per share excluding operations held for sale (NOK)	7.99	8.62
Earnings/diluted earnings per share, operations held for sale (NOK)	0.00	0.05

1) *Holdings of own shares are not included in calculations of the number of shares.*
2) *On 6 December 2010, DNB Bank ASA entered into an agreement with Norddeutsche Landesbank (NORD/LB) to acquire 49 per cent of the share capital in Bank DnB NORD A/S for a total of EUR 160 million. The agreement was finalised on 23 December 2010. Earnings per share for 2010 have thus been calculated based on profits for the period without adjusting for minority interests.*

Note 53 Largest shareholders

Shareholder structure in DNB ASA as at 31 December 2011	Shares in 1 000	Ownership in per cent
Norwegian Government/Ministry of Trade and Industry	553 792	34.00
DNB NOR Savings Bank Foundation	164 368	10.09
National Insurance Scheme Fund	87 441	5.37
Blackrock Investments	33 653	2.07
Capital Research/Capital International	25 790	1.58
People's Bank of China	24 826	1.52
Fidelity Investments	23 945	1.47
Threadneedle Investment Funds	21 116	1.30
Newton Investment Management	20 318	1.25
DNB Funds	17 277	1.06
Standard Life	15 259	0.94
Jupiter Asset Management	14 357	0.88
Vanguard Investment Funds	13 142	0.81
State Street Global Advisors	12 084	0.74
Schroder Investment	11 420	0.70
Nordea Funds	10 386	0.64
Kuwait Investment Authority Funds	10 328	0.63
Storebrand Funds	10 293	0.63
T. Rowe Price	9 131	0.56
Legal and General	8 628	0.53
Total largest shareholders	1 087 553	66.77
Other	541 246	33.23
Total	1 628 799	100.00

Note 54 Off-balance sheet transactions, contingencies and post-balance sheet events

Off-balance sheet transactions and additional information		DNB Group	
Amounts in NOK million		31 Dec. 2011	31 Dec. 2010
Performance guarantees		47 530	36 323
Payment guarantees		23 439	22 111
Loan guarantees [1]		17 666	9 690
Guarantees 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. *)		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 ASA carries loans in its balance sheet that subject to legal agreement have been transferred to Eksportfinans and for which DNB Bank ASA has issued guarantees. According to the agreement, DNB Bank ASA 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 has been pledged as collateral for credit facilities with Norges Bank (the Norwegian central bank). According to regulations, these loans must be fully collateralised by a mortgage on interest-bearing securities and/or the bank's deposits with Norges Bank.

As a member of Continuous Linked Settlement Bank (CLS Bank) DNB has an obligation to contribute to cover any deficit in CLS Bank's central settlement account for member banks, even if the default is caused by another member bank. Initially, such deficit will be sought covered by other member banks based on transactions the respective banks have had with the member bank which has caused the deficit in CLS Bank. Should there remain an uncovered deficit in CLS Bank, this will be covered pro rata by the member banks in CLS (currently 71 of the world's largest banks), according to Article 9 "Loss Allocations" of CLS Bank's International Rules. According to the agreements between CLS and the member banks, the pro rata payment obligations related to such coverage of any remaining deficit are limited to USD 30 million per member bank. At the end of 2010, DNB had not recorded any obligations in relation to CLS.

DNB Boligkreditt AS (Boligkreditt)

At end-December 2011, Boligkreditt had issued covered bonds with a total balance sheet value of NOK 351.3 billion. In the event of bankruptcy, the bondholders have preferential rights to the company's cover pool. At year-end 2011, DNB Bank ASA had invested NOK 107.8 billion in covered bonds issued by Boligkreditt, used in the exchange scheme with the Norwegian government. In addition, DNB Livsforsikring had invested NOK 5.1 billion in such bonds.

Covered bonds	DNB Boligkreditt	
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
Total listed covered bonds	315 343	256 306
Total private placements under the bond programme	35 911	28 704
Adjustment		
Accrued interest	4 517	3 696
Unrealised gains/losses	7 502	699
Total debt securities issued	363 273	289 406

Cover pool	DNB Boligkreditt	
Amounts in NOK million	31 Dec. 2011	31 Dec. 2010
Pool of eligible loans	456 967	388 579
Market value of derivatives	12 916	6 869
Supplementary assets	0	0
Total collateralised assets	469 883	395 449
Over-collateralisation (per cent)	129	136

Note 54 Off-balance sheet transactions, contingencies and post-balance sheet events (continued)

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 14 March 2012.

INCOME STATEMENT

		DNB ASA	
Amounts in NOK million	Note	2011	2010
Total interest income		474	471
Total interest expenses		385	396
Net interest income		**90**	**74**
Commissions and fees payable etc.		6	6
Other income [1]	1	183	9 533
Net other operating income		**177**	**9 527**
Total income		**267**	**9 602**
Salaries and other personnel expenses		6	6
Other expenses		243	213
Total operating expenses		**249**	**219**
Pre-tax operating profit		**18**	**9 383**
Taxes	3	5	2 292
Profit/comprehensive income for the year		**13**	**7 092**
Earnings/diluted earnings per share (NOK)		0.01	4.35
Earnings per share excluding operations held for sale (NOK)		0.01	4.35

1) Dividends from group companies/group contributions.

BALANCE SHEET

		DNB ASA	
Amounts in NOK million	Note	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	4	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	5	10 477	10 240
Outstandings to other group companies		0	5 171
Other liabilities and provisions		3 263	7 360
Total liabilities		**13 741**	**22 771**
Paid-in capital		38 844	38 844
Retained earnings		17 395	20 640
Total equity		**56 240**	**59 484**
Total liabilities and equity		**69 981**	**82 255**

STATEMENT OF CHANGES IN EQUITY

	DNB ASA			
Amounts in NOK million	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.

The share premium reserve can be used to cover financial losses. Other equity can be used in accordance with stipulations in the Public Limited Companies Act.

The share capital of DNB ASA is NOK 16 287 988 610 divided into 1 628 798 861 shares, each with a nominal value of NOK 10. See note 53 for the DNB Group, which specifies the largest shareholders in DNB ASA.

CASH FLOW STATEMENT

	DNB ASA	
Amounts in NOK million	2011	2010
Operations		
Payments to operations	(17)	(225)
Taxes paid	(843)	(1 079)
Net cash flow relating to operations	**(860)**	**(1 304)**
Investment activity		
Receipts on the sale of long-term investments in shares	0	0
Payments on the acquisition of long-term investments in shares	(11 000)	0
Net cash flow relating to investment activity	**(11 000)**	**0**
Equity funding		
Group contributions from subsidiaries	7 995	5 113
Dividend payments	(6 515)	(2 850)
Issue of new shares	0	0
Net cash flow relating to equity funding	**1 480**	**2 263**
Other liquidity financing		
Net payments on long-term liabilities	0	(946)
Net investments in credit institutions	10 291	(109)
Net interest payments on other liquidity financing	89	96
Net cash flow relating to other liquidity financing	**10 380**	**(959)**
Net cash flow	**0**	**0**

ACCOUNTING PRINCIPLES

Basis for preparing the accounts

DNB ASA is the parent company in the DNB Group. 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, hereinafter called the Norwegian IFRS regulations, which implies that recognition and measurements are in accordance with IFRS and that the presentation and note information are in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway. These regulations also 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.

Changes in accounting principles

The effects of changes in accounting principles are recorded directly against equity.

Ownership interests in group companies

Subsidiaries are defined as companies in which DNB ASA has control, directly or indirectly, through a long-term ownership interest and a holding of more than 50 per cent of the voting share capital or primary capital. DNB ASA's subsidiaries are DNB Bank ASA, DNB Livsforsikring ASA, DNB Asset Management Holding AS and DNB Skadeforsikring AS. All subsidiaries are 100 per cent owned.

In the accounts of DNB ASA, investments in subsidiaries are recorded at cost.

Transactions with group companies

Transactions with subsidiaries are conducted in accordance with general business conditions and principles whereby income, expenses, losses and gains are distributed as correctly as possible between the group companies.

Dividends and group contributions

Dividends and group contributions from group companies are recorded in the accounts in the same year as provisions are made in the relevant companies. Group contributions received are classified as dividends when considered to represent return on invested capital. Distributed dividends and group contributions are recorded as liabilities in accordance with the Board of Directors proposal on the balance sheet date.

Taxes

Taxes for the year comprise payable taxes for the financial year and changes in the value of deferred taxes and deferred tax assets.

Deferred taxes are calculated on the basis of differences between the profits stated in the accounts and the profits computed for tax purposes, which will be offset in the future. Evaluations are based on the balance sheet and tax position on the balance sheet date. Taxable and tax-deductible timing differences will be netted against each other within the same time interval. Deferred tax assets can be recognised as assets in the balance sheet when it is considered probable that the tax-deductible timing differences may be realised.

Note 1 Dividends/group contributions from subsidiaries

Dividends/group contributions from subsidiaries		**DNB ASA**
Amounts in NOK million	2011	2010
Group contributions received from:		
DNB Bank ASA	0	8 333
DNB Livsforsikring ASA	0	1 200
Other group companies	183	0
Total group contributions from subsidiaries	**183**	**9 533**

Allocations		**DNB ASA**
Amounts in NOK million	2011	2010
Proposed dividends per share (NOK)	2.00	4.00
Share dividend	3 258	6 515
Transfers to/(from) other equity	(3 245)	577
Total allocations	**13**	**7 092**

Note 2 Remunerations etc.

All employees in DNB ASA are also employed in one of the underlying companies within the Group. The holding company purchases services from other units within the Group. The group chief executive and group executive vice presidents are employed in both DNB ASA and one of the subsidiaries in the Group. Personnel expenses and other administrative expenses relating to these individuals are divided between the subsidiaries and DNB ASA according to use.

See note 50 for the DNB Group for further details on remunerations etc. See also note 6 for DNB ASA, specifying shares in DNB ASA owned by senior executives and members of governing bodies.

Note 3 Taxes

		DNB ASA
Amounts in NOK million	2011	2010
Tax base		
Operating profit in DNB ASA	18	9 383
Calculated effect from group contributions from subsidiaries	0	(1 200)
Tax base for the year	18	8 183
Taxes		
Payable taxes	5	2 292
Changes in deferred taxes	0	0
Total taxes	**5**	**2 292**

Note 4 Investments in subsidiaries as at 31 December 2011 [1)]

Amounts in 1 000 *Values in NOK unless otherwise indicated*		Share capital	Number of shares		Nominal value	Ownership share in per cent	DNB ASA Recorded value
DNB Bank		18 314 311	183 143 110		18 314 311	100.0	49 892 502
BANK DNB A/S	EUR	1 715 595	1 715 595 100	EUR	1 715 595	100.0	
AB DNB bankas	LTL	656 665	5 710 134	LTL	656 665	100.0	
AS DNB banka	LVL	134 361	134 360 900	LVL	134 361	100.0	
Bryggetorget		2 500	2 500		2 500	100.0	
Den Norske Syndicates	GBP	200	200 000	GBP	200	100.0	
DNB Asia	SGD	20 000	20 000 000	SGD	20 000	100.0	
DNB Boligkreditt		1 827 000	18 270 000		1 827 000	100.0	
DNB Eiendom		10 003	100 033		10 003	100.0	
DNB Eiendomsutvikling		91 000	91 000 000		91 000	100.0	
DNB Invest Holding		100 000	200 000		100 000	100.0	
DNB Luxembourg	EUR	17 352	70 000	EUR	17 352	100.0	
DNB Markets Inc.	USD	1	1 000	USD	1	100.0	
DNB Meglerservice		1 200	12		1 200	100.0	
DnB NOR Monchebank	RUB	800 000	800 000 000	RUB	800 000	100.0	
DNB Næringskreditt		550 000	550 000		550 000	100.0	
DNB Næringsmegling		1 000	10 000		1 000	100.0	
DNB Reinsurance		21 000	21 000		21 000	100.0	
Nordlandsbanken		625 062	50 004 984		625 062	100.0	
Postbanken Eiendom		2 000	20 000		2 000	100.0	
SalusAnsvar	SEK	85 614	21 403 568	SEK	85 614	100.0	
SC Finans	SEK	126 025	1 260 250	SEK	126 025	100.0	
Svensk Fastighetsförmedling	SEK	8 940	89 400	SEK	8 940	100.0	
DNB Asset Management Holding		220 050	220 050		220 050	100.0	1 365 929
DNB Asset Management		109 680	548 402		109 680	100.0	
DNB Asset Management Holding (Sweden)	SEK	135 200	1 352 000	SEK	135 200	100.0	
DNB Skadeforsikring		265 000	265 000		265 000	100.0	462 790
DNB Livsforsikring		1 620 682	64 827 288		1 620 682	100.0	10 495 045
DNB Næringseiendom		1 000	20 000		1 000	100.0	
DNB Eiendomsholding		56 433	4 341		56 433	100.0	
DNB Pensjonstjenester		1 400	1 400		1 400	100.0	
Total investments in subsidiaries							**62 216 266**

1) *Major subsidiaries and sub-subsidiaries in the DNB Group.*

During 2011, DnB Bank ASA received a NOK 8 billion capital injection in order to increase the company's Tier 1 capital ratio, while DNB Livsforsikring ASA received a capital injection of NOK 3 billion from DNB ASA. There was no need to write down the value of DNB ASA's investments in subsidiaries in 2011.

Note 5 Loans and deposits with DNB Bank ASA

Receivables totalling NOK 7 356 million represented deposits with DNB Bank ASA at market terms. Loans totalling NOK 10 240 million have been granted by DNB Bank ASA at general market terms. Other loans from DNB Bank ASA total NOK 237 million.

See note 4 with respect to equity transactions with subsidiaries.

Note 6 Shares in DNB ASA held by members of governing bodies and senior executives

	Number of shares 31 Dec. 2011
Supervisory Board of DNB ASA	
Members elected by shareholders	
Amund Skarholt, chairman	1 222
Eldbjørg Løwer, vice-chairman	200
Inge Andersen	0
Nils Halvard Bastiansen	0
Toril Eidesvik	0
Camilla Marianne Grieg	0
Leif O. Høegh	0
Nalan Koc	0
Tomas Leire	0
Per Otterdahl Møller	0
Dag J. Opedal	1 705
Ole Robert Reitan	0
Gudrun B. Rollefsen	0
Arthur Sletteberg	2 444
Merethe Smith	0
Birger Solberg	10 888
Ståle Svenning	0
Turid Sørensen	0
Gine Wang	0
Hanne Rigmor Egenæss Wiig	1 705
Members elected by employees	
Rune Asprusten	2 644
Bente H. Espenes	186
Willy Furunes	852
Bjørn Hennum	488
Einar Pedersen	93
Eli Solhaug	3 145
Marianne Steinsbu	3 630
Britt Sæle	1 546
Astrid Waaler	0
Arvid Åsen	603

	Number of shares alloted in 2011	Number of shares 31 Dec. 2011
Control Committee of DNB ASA		
Frode Hassel, chairman		0
Thorstein Øverland, vice-chairman		0
Svein Norvald Eriksen		0
Karl Olav Hovden		0
Board of Directors of DNB ASA		
Anne Carine Tanum, chairman		300 000
Bjørn Sund, vice-chairman		31 196
Jarle Bergo		0
Bente Brevik		5 000
Sverre Finstad		7 931
Carl A. Løvvik		116
Tore Olaf Rimmereid		6 111
Ingjerd Skjeldrum		6 288
Senior executives		
Rune Bjerke, CEO	4 691	23 386
Bjørn Erik Næss, CFO	3 633	28 367
Trond Bentesuen, group EVP	2 052	4 882
Ottar Ertzeid, group EVP	22 068	148 961
Liv Fiksdahl, group EVP	2 136	8 655
Solveig Hellebust, group EVP	2 106	3 713
Cathrine Klouman, group EVP	2 487	16 519
Kari Olrud Moen, group EVP	1 707	7 492
Karin Bing Orgland, group EVP	2 430	7 840
Tom Rathke, group EVP	3 167	14 363
Leif Teksum, group EVP	3 695	48 236
Group Audit		
Tor Steenfeldt-Foss, group EVP		0

The statutory auditor owns no shares in DNB ASA

The figures also include shares held by the immediate family and companies in which the shareholder has such influence as stated in Section 7-26 of the Act relating to annual accounts, etc.

Oslo, 14 March 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)

STATEMENT

PURSUANT TO SECTION 5-5 OF THE SECURITIES TRADING ACT

We hereby confirm that the annual accounts for the Group and the company for 2011 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the company taken as a whole.

The directors' report gives a true and fair view of the development and performance of the business and the position of the Group and the company, as well as a description of the principal risks and uncertainties facing the Group.

Oslo, 14 March 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)

Bjørn Erik Næss
(chief financial officer)

AUDITOR'S REPORT

To the Annual General Meeting and Supervisory Board of DNB ASA

Report on the financial statements

We have audited the accompanying financial statements of DNB ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2011, the income statements, cash flows and statement of changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the balance sheet as at 31 December 2011, the income statements, comprehensive income statements, cash flows and statement of changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Group Chief Executive's responsibility for the financial statements

The Board of Directors and Group Chief Executive are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the Group, and for such internal control as the Board of Directors and Group Chief Executive determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of DNB ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as of 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards on Accounting as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and statement on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and the statement on corporate governance concerning the financial statements, the going concern assumption and the proposal for the allocation of the results is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the international standard on assurance engagements (ISAE) 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that the Board of Directors and Group Chief Executive have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 14 March 2012
ERNST & YOUNG AS

Erik Mamelund
State Authorised Public Accountant (Norway)
(sign.)

(This translation from Norwegian has been made for information purposes only.)

CONTROL COMMITTEE'S REPORT

TO THE SUPERVISORY BOARD AND THE ANNUAL GENERAL MEETING OF DNB ASA

The Control Committee has carried out supervision of DNB ASA and the Group in accordance with law and instructions laid down by the Supervisory Board.

In connection with the closing of the accounts for the 2011 financial year, the Control Committee has examined the Directors' Report, the annual accounts and the Auditor's Report for DNB ASA.

The Committee finds that the Board of Directors gives an adequate description of the financial position of DNB and the Group, and recommends the approval of the Directors' Report and annual accounts for the 2011 financial year.

Oslo, 14 March 2012

Frode Hassel
(chairman)

Thorstein Øverland
(vice-chairman)

Svein Norvald Eriksen

Karl Olav Hovden

Svein Brustad
(deputy)

Merete Smith
(deputy)

KEY FIGURES

	DNB Group 2011	2010
Interest rate analysis		
1. Combined weighted total average spread for lending and deposits (%)	1.12	1.15
2. Average spread for ordinary lending to customers (%)	1.59	1.61
3. Average spread for deposits from customers (%)	0.30	0.32
Rate of return/profitability		
4. Net other operating income, per cent of total income	39.9	40.8
5. Cost/income ratio (%)	47.1	47.6
6. Return on equity (%)	11.4	13.6
7. RARORAC (%)	16.6	19.0
8. RORAC (%)	19.1	25.2
9. Average equity including allocated dividend (NOK million)	113 934	103 292
10. Return on average risk-weighted volume (%)	1.22	1.17
Financial strength		
11. Equity Tier 1 capital ratio at end of period (%)	9.4	9.2
12. Tier 1 capital ratio at end of period (%)	9.9	10.1
13. Capital ratio at end of period (%)	11.4	12.4
14. Tier 1 capital at end of period (NOK million)	110 350	103 368
15. Risk-weighted volume at end of period (NOK million)	1 111 574	1 028 404
Loan portfolio and write-downs		
16. Individual write-downs relative to average net lending to customers (%)	0.27	0.36
17. Write-downs relative to average net lending to customers (%)	0.28	0.26
18. Net non-performing and net doubtful commitments, per cent of net lending	1.50	1.55
19. Net non-performing and net doubtful commitments at end of period (NOK million)	19 465	18 409
Liquidity		
20. Ratio of customer deposits to net customer lending at end of period (%)	57.8	54.8
Total assets owned or managed by DNB		
21. Customer assets under management at end of period (NOK billion)	500	509
22. Total combined assets at end of period (NOK billion)	2 389	2 141
23. Average total assets (NOK billion)	2 148	1 970
24. Customer savings at end of period (NOK billion)	1 240	1 151
Staff		
25. Number of full-time positions at end of period	13 620	13 021
The DNB share		
26. Number of shares at end of period (1 000)	1 628 799	1 628 799
27. Average number of shares (1 000)	1 628 799	1 628 799
28. Earnings per share (NOK)	7.98	8.66
29. Earnings per share excluding operations held for sale (NOK)	7.99	8.62
30. Dividend per share (NOK) [1)]	2.00	4.00
31. Total shareholders' return (%)	(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
34. Share price at end of period (NOK)	58.55	81.90
35. Price/earnings ratio	7.33	9.50
36. Price/book value	0.81	1.20
37. Market capitalisation (NOK billion)	95.4	133.4

1) *Proposed dividend for 2011.*

For definition of selected key figures, see next page.

Definitions

1, 2, 3	Based on nominal values excluding lending to and deposits with credit institutions and impaired loans, measured against the 3-month money market rate.
5	Total operating expenses relative to total income. Expenses exclude impairment losses for goodwill and other intangible assets and reversals of provisions for contractual early retirement pensions. Total income exclude gains resulting from the merger between the payment services company Nordito and the Danish PBS Holding in 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 requirements. Risk-adjusted profits indicate the level of profits in a normalised situation. The risk-adjusted capital requirement is described in further detail in the chapter "Management in DNB".
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 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 earnings per share.
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 the number of shares at end of period.
35	Closing price at end of period relative to earnings per share.
36	Closing price at end of period relative to recorded equity at end of period.
37	Number of shares multiplied by closing price at end of period.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 25 April 2012 at 6 p.m. at DNB's premises in Kirkegt. 21, Oslo. Information on how to register attendance and items on the agenda can be found at dnb.no/agm.

Shareholders registered as owners in DNB ASA with the Norwegian Central Securities Depository (VPS) may opt to receive annual reports and the notice of the Annual General Meeting electronically. For more information about Investor Account Services, please contact your VPS registrar. Shareholders with VPS accounts in DNB who do not wish to receive notices by regular mail, may register at dnb.no/investor-account-services. Select "New user sign-up".

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements regarding the future prospects of DNB, including estimates, strategies and objectives. The risks and uncertainties inherent in all forward-looking statements can lead to actual developments and profits differing materially from what has been expressed or implied.

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